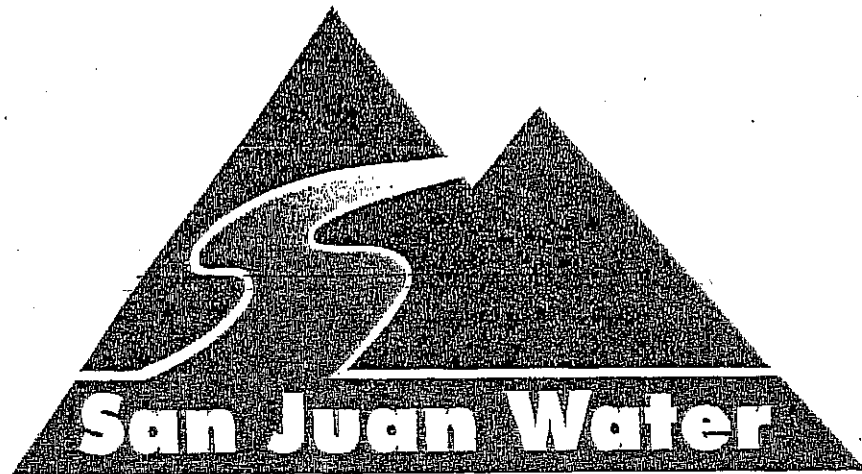


**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004**

**SAN JUAN WATER DISTRICT**

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**Granite Bay, California**

SAN JUAN WATER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2004

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# San Juan Water District

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*General Manager*  
Shauna Lorance



*Directors*

Dorothy Kilgore, *President*  
Joseph Alessandri, *Vice President*  
Edward J. "Ted" Costa  
Kenneth H. Miller  
Dave Peterson



October 13, 2004

Members of the Board of Directors  
San Juan Water District

Directors:

The San Juan Water District is required by State statute to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to present the Comprehensive Annual Financial Report (CAFR) for the San Juan Water District (District) for the fiscal year ended June 30, 2004. The information presented in this CAFR is intended to provide financial information with all the disclosures necessary to enable the District's customers, investment community and general public to assess the District's financial condition.

This report contains management's representations concerning the finances of the District. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to both protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Richardson & Company, a firm of licensed certified public accountants with which the District contracts for these services. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2004, are free from material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and is intended to be read in conjunction with it. The District's MD&A can be located immediately following the independent auditors' report.

The CAFR is organized into Introductory, Financial and Statistical sections. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The

Financial section includes: Independent Auditor's Report on the District's financial statements; MD&A; June 30, 2004 basic financial statements, including the balance sheets, statements of revenues, expenses and changes in net assets, statements of cash flows and notes to the basic financial statements, and additional information consisting of schedules of administrative and general expenses and operations—budget and actual. The financial statements are prepared in accordance with GAAP. The Statistical section summarizes selected unaudited general financial information of the District.

## **District Profile**

### History

The District was formed as a result of petitions being presented to the Board of Supervisors of Sacramento and Placer Counties by Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company and a group of homeowners in South Placer County. An election was held within the boundaries of the sponsoring districts on February 10, 1954. At this election, voters approved the formation of San Juan Water District by nearly a two-thirds majority and elected five Directors. The District is a community services district formed under Section 60000 et seq., Title 5, Division 3 of the California Government Code.

The District provides water on a wholesale and retail basis to an area of approximately 17 square miles for retail and 45 square miles for wholesale in Sacramento and Placer Counties. The wholesale operation of the District consists of negotiating water contracts, operating a surface water treatment plant, storage, pumping and transmission facilities, which deliver water to five wholesale entities. The retail operation consists of storage, pumping, transmission and distribution facilities, which deliver water to approximately 10,079 retail service connections located in a portion of Northeast Sacramento County and the Granite Bay area of South Placer County.

### Accounting System and Budgetary Controls

The District's accounting records are maintained using the accrual basis of accounting. The revenues of the District are recognized when they are earned and the expenses are recognized when they are incurred. The District staff works with the Finance Department to develop the annual budget. The Finance Department first provides a copy of the proposed budget to the Finance Committee, making any necessary adjustments arising from that review. Then the Finance Manager presents the proposed budget, during a public hearing, to the Board of Directors for their review. The proposed budget is presented again to the Board of Directors at a second board meeting for finalization and adoption. The budget is used as a management tool for projecting and measuring revenues and expenditures.

### Mission Statement

The District's mission, and highest priority to our customers, is to take all necessary actions to ensure the delivery of a reliable water supply of the highest quality at reasonable and equitable costs. As part of accomplishing our mission, we commit to working cooperatively with others on projects of mutual public benefit to achieve the greatest possible efficiency and effectiveness. We further commit to communicate what we are doing, and why we are doing it. The District prides itself in providing excellent customer service to all its customers, internal and external.

### Water Supply

The Districts' existing water supply consists of four separate raw water contracts. The first source of water is 33,000 acre-feet of pre 1914 water rights on the American River. The second and third water sources are two contracts with the U.S. Bureau of Reclamation for 11,200 and 13,000 acre-feet of Central Valley Project water. The fourth water source is a contract with Placer County Water Agency for 25,000 acre-feet of water.

The District is nearly complete with the process of long-term water contract negotiations with the U. S. Bureau of Reclamation for Central Valley Project water. The results of the negotiation will be a 40 year long-term-contract.

All sources of surface water are either stored or flow through Folsom Lake and delivery taken at Folsom Dam outlets, either by gravity or pumped by the U. S. Bureau Folsom Pumping Plant. Total raw water delivery for the fiscal year was 69,037 acre-feet.

#### Water Efficiency

The District has long been a proponent and practitioner of cost effective water efficiency programs. The implementation of these programs has been highly successful, continually striving to meet the standards for Urban Water Efficiency Best Management Practices (BMPs) set by the Sacramento Area Water Forum Agreement, the California Urban Water Conservation Council, the California Department of Water Resources, and the U.S. Bureau of Reclamation Central Valley Project Improvement Act.

Some of the District's more innovative water efficiency programs are:

- ☞ Water Bucks School Program, which created a mutually beneficial partnership with local elementary schools to develop water awareness within the classrooms;
- ☞ Landscape Irrigation Reviews to assist customers to maintain attractive water efficient landscapes for their property; and
- ☞ Cooperative Efforts and the Regional Water Efficiency Management Program. The District and other wholesale agencies have pursued a cooperative process for other water suppliers to share regional water efficiency efforts.

The benefits include more cost-effective and efficient water conservation programs for an expanding number of participating water providers, and increased customer awareness of the importance of water efficiency for future reliable water supplies.

#### Water Treatment Plant

The District's water treatment facilities was constructed in three phases and completed between the years of 1975 to 1983. The facilities consist of two flocculation-sedimentation basins, two filter basins, operations building and storage reservoir. Upgrades and improvements to the plant are ongoing to ensure efficiency and productivity to meet the required demands of its customers and Federal and State regulatory requirements.

During the fiscal year there has been a major project at the water treatment plant for betterments which will meet increased regulatory standards. This project is being funded with the proceeds of the 2003 Certificates of Participation and is anticipated to be complete by July 2005.

The Sidney N. Peterson Water Treatment Plant, 120 million gallons per day capacity, receives delivery of raw water directly from Folsom Dam outlets. At the treatment plant, the raw water undergoes extensive water treatment process to ensure the highest quality of water for District customers. From the water treatment plant, the water flows into the 62 million gallon Hinkle Reservoir for storage and distribution. The District maintains approximately 208 miles of transmission and distribution pipelines, which transport the high quality, treated water to wholesale and retail customers.

#### Enterprise Operations

The District is comprised of two separate enterprise operations with distinct functions:

1. The Wholesale Operation's primary responsibilities are to acquire and maintain source of water contracts, treatment of surface water and storage and delivery of water to contracting wholesalc water agencies.
2. The Retail Operation's primary responsibilities are to maintain a source of water supply from the Wholesale Agency, storage, transmission and distribution of water to the retail customers at a reasonable cost, provide customer service and maintain the transmission and distribution pipeline system throughout the Retail Service Area. The Retail Operations is also responsible for constructing new facilities as recommended by the San Juan Water District Water Master Plan. The Retail Master Plan is in the process of being updated.

The accounting for the two entities' operations is separated, however, for financial report purposes they are presented in a consolidated report.

### **Factors Affecting Financial Condition**

#### Economic Outlook

The District is located in Northern California approximately 20 miles Northeast of Sacramento and between the Cities of Folsom and Roseville. The region has been successful in attracting new high-tech companies and expansion of existing companies. Economic conditions for the region are very favorable.

The District has experienced a steady growth rate in recent years as reflected in the increase of new service connections. There were approximately 121 new service connections for the current fiscal year, which represents a growth rate of approximately 1.2% for the year. The District is optimistic about future development within the retail service area.

The current and future financial stability of the District is positive with the existing revenue sources remaining stable. Retail revenues are currently received through a predominately flat rate system. Based on a Federal Mandate it is planned that the entire District will be on metered rates by the end of the year 2005. At present, the District is 100% metered with 3,163 accounts, approximately 31%, being billed on a metered rate and 6,996 accounts, approximately 69%, being billed on a flat rate. Customers have been voluntarily switching to metered based upon rate comparisons for metered versus flat billing which are provided on water bills.

#### Long-term financial planning

To provide the necessary resources to meet operating costs and provide a ten-year capital improvement finance plan, the District contracted with the Reed Group, Inc. in 2002 to review the existing wholesale water rates structure. The outcome resulted in a comprehensive plan, which included proposed rate increases and capital financing recommendations. The first rate increase from the report was approved by the Board of Directors and used in wholesale water billings beginning April 1, 2003. All family agencies participated in the study, which went into development of this report. This contributed to the soundness, as well as the quality of the information.

To provide the necessary resources to meet operating costs, the District had an outside consulting firm review the existing rates structure. The findings from the review and study were that the retail rates for both metered and flat rate needed to be up-dated. The consulting firm, with the assistance of a Customer Rate Resource Committee, presented their findings and recommendations to the Board of Directors for their review and consideration. The five year financial and rate structure for the Retail Service Area was accepted on June 28, 2000. The Board of Directors adopted, by an Ordinance, the Water Rate Study and Rate Structure on November 15, 2001. The rates were effective January 1, 2001. The Wholesale Water

Rate Study prepared by the Reed Group reviewed the wholesale water rate increases impact to the retail service area and proposed an increase to retail water rates that went into effect on September 1, 2003.

The District is in the 4th year of the master wholesale meter replacement and upgrade program during the prior fiscal year. The new meters have the capability of measuring the full profile of the transmission pipelines. This technology improves the accuracy of measuring water deliveries to wholesale agencies.

Significant modifications and the addition of facilities to the treatment plant were started during the fiscal year. A backwash recovery system and solids handling system are currently in the construction phase.

#### Cash Management

The District invests operating, non-operating and reserves for capital improvement funds following the guidelines of the Investment Policy adopted by the Board of Directors. The Investment Policy attempts to obtain the highest yield, provided that all investments meet the criteria established for safety and liquidity.

During the year funds were invested primarily in the State of California Local Agency Investment Fund, Certifications of Deposit, Medium Term Corporate Notes and U.S. Agency Securities held in a third party custodial account on behalf of the district. Maturities of these securities range from liquid to 5 years, with the 2003 Certificates of Deposit debt service reserve fund held in a guaranteed investment contract maturing in 30 years. The average yield on investments was 2.14%, with rates of return ranging from .88% on liquid funds to 4.49% on 5+ year funds. Interest rates will be rising in the coming fiscal year; bringing additional investment opportunity to the District.

#### Risk Management

The District has its property, general liability, errors and omission, and automobile insurance with the Association of California Water Agency/Joint Powers Insurance Authority (ACWA/JPIA), a pooled self-insurance group. The District was insured with the ACWA/JPIA workers' compensation insurance program. The District's modification rate as of June 30, 2004, was 64%.

All contractors doing work for the District are required to furnish certificates of insurance for general liability, automobile liability, professional liability, workers' compensation and indemnification clauses.

The District has a defined safety program, which provides guidelines, regular safety meetings and training sessions that conducted by the various departments for reinforcement of safety conduct in the work place. In addition, the District provides staff safety incentive days off, up to a maximum of three, when there are no lost-time accidents. As of June 30, 2004, staff had earned a one-half safety day.

#### Pension and other post employment benefits

The District retirement program remains with the California State Public Employees Retirement System (PERS). The District currently pays both employer costs and tax-deferred member contributions to the system on a monthly basis. A PERS Actuarial Report is prepared by a PERS actuary to calculate the future contribution rates for the next two years.

The District provides post employment healthcare benefits to retirees and their dependents. As of the end of the current fiscal year, there were fourteen retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. Beginning with Fiscal Year 2009, the District will be required by Governmental Accounting Standards Board (GASB) Statement No. 43 to report the actuarially determined liability for the post employment healthcare benefits.

In addition, the District offers two voluntary IRS Section 457 Deferred Compensation Plans to which all full-time regular employees are eligible to contribute. These plans are The District's plans are with Variable Annuity Life Insurance Company and Annuity Investors life Insurance Company.

### Awards and Acknowledgements

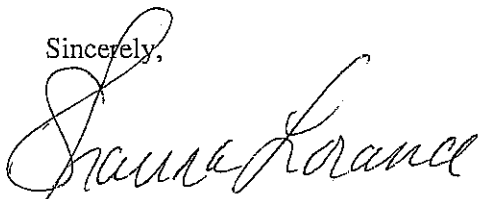
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Juan Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

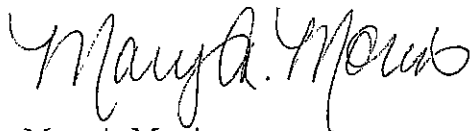
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the entire staff of the Finance, Conservation, Customer Service, Engineering, Field and Water Treatment Departments. This specifically includes the continuing support of the Board of Directors of the District in the planning and implementation of the financial affairs of the District.

Sincerely,



Shauna Lorance  
General Manager



Mary A. Morris  
Finance and Accounting Manager



## **BOARD OF DIRECTORS**

**Dorothy Kilgore**  
President

**Joseph Alessandri**  
Vice President

**Edward J. "Ted" Costa**  
Director

**Kenneth H. Miller**  
Director

**Dave Peterson**  
Director

## **STAFF**

**Shauna L. Lorance**  
General Manager

**Keith B. Durkin**  
Assistant General Manager

**Sue Makimoto**  
Secretary to the Board of Directors

**Mary A. Morris**  
Finance and Accounting Manager

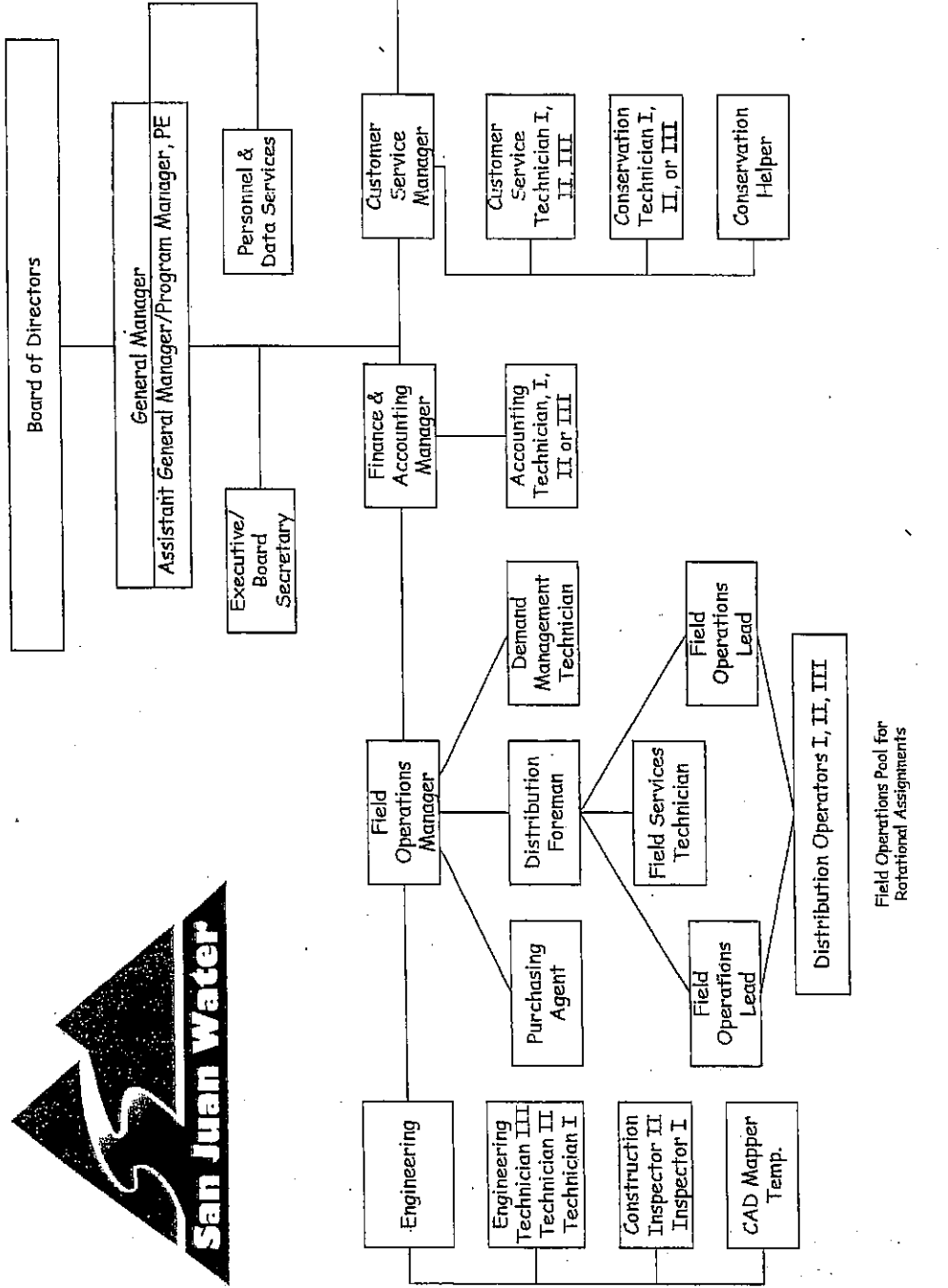
**Judy A. Gagnier**  
Customer Service Manager

**Gerald D. Hodorowski**  
Field Operations Manager

**Ben Martinez**  
Engineering Manager

**Michael J. O'Bleness**  
Water Quality Manager

Organization Chart



Field Operations Pool for  
Rotational Assignments

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
San Juan Water District  
Granite Bay, California

We have audited the accompanying basic financial statements of the San Juan Water District (the District) as of June 30, 2004 and 2003 and for the years then ended, 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 basic financial statements based on our audits.

We conducted our audits in accordance with accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2004 and 2003 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note L to the basic financial statements, District restated its beginning retained earnings to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34.

The Management's Discussion and Analysis on pages 10 to 15 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Additional Information listed in the table of contents is presented for the purposes of additional analysis 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.

The Statistical Section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Richardson & Company*

September 3, 2004

## Management's Discussion and Analysis

The following narrative overview and analysis of the financial activities of the San Juan Water District (District) for the fiscal year ended June 30, 2004 has been prepared by the management to enhance the information provided in the transmittal letter. It is intended to be read in conjunction with that letter and should provide a better understanding of the District's financial operations and performance.

### Financial Highlights

Several key points are important when reading the District's CAFR:

- ④ At the end of the fiscal year, assets exceeded liabilities by \$60,208,822 (net assets). This amount is comprised of investments in capital assets, restricted and unrestricted net assets. Of the total amount, \$20,864,605 is considered unrestricted and available to meet the District's ongoing obligations. However, the majority of these funds have been designated for specific projects which will be required for replacement of capital facilities.
- ④ Total net assets increased by \$3,899,663, compared to an increase of \$1,244,874 in the prior fiscal year. The main reasons for this are: 1) an increase in capital assets for the Water Treatment Plant Betterments, and 2) a decrease in debt which reflects the first-year of payments on the 2003 Certificates of Participation (COPs).
- ④ Operating revenues increased by \$976,225, which is due to an 8% rate increase in wholesale water revenues, a 12% rate increase in retail water revenues, and an annual debt service charge of \$714,175 received in wholesale operations for payment on the 2003 COPs.
- ④ Non-operating revenues increased by \$711,013, as a result of: 1) an increased rate on the final year of the special assessment for the 1998 General Obligation bond, 2) increased property tax revenue associated with rising property values, and 3) revenue received from participating agencies for direct obligations on the 2003 COPs.

### Overview of the Financial Statements

The three elements of the District's financial statements are: 1) basic financial statements, 2) notes to the financial statements, and 3) supplemental information.

#### Basic financial statements

The District's financial statements are comprised of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet presents information on all assets and liabilities, with the difference between the two reported as net assets. When evaluated over a period of time, increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets reflect the revenues and expenses for the fiscal year ended. The Statement of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities.

#### Notes to the financial statements

The notes provide in depth information that is vital to gaining a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 19.

### Other information

In addition to the basic financial statements and accompanying notes, this report also provides supplementary information on administrative and general expenses.

### **Financial Analysis of the District**

As a government agency, the District is not in the business to make a profit as a private company would be. In contrast, the District has two major goals, which are:

- 4<sup>1</sup> Recovering the cost of providing services to its constituents, and
- 4<sup>2</sup> Securing the financial resources needed to maintain and improve the capital facilities used in providing those services.

The financial statements assist a reader in determining whether the District is meeting these goals. In general, net assets provide a realistic indicator of a government's financial position. For the fiscal year ending June 30, 2004, assets exceeded liabilities by \$60,208,822.

#### **San Juan Water District Balance Sheet**

	2004	2003	% Change
Current Assets	\$14,471,108	\$16,197,605	-10.66%
Restricted Assets	18,936,854	20,062,562	-5.61%
Capital Assets	45,475,268	43,868,969	3.66%
Other Assets	8,805,515	4,510,699	95.21%
Total Assets	\$87,688,745	\$84,639,835	3.60%
Current Liabilities	4,017,892	3,097,449	29.72%
Long-Term Liabilities	23,462,031	25,233,227	-7.02%
Total Liabilities	\$27,479,923	\$28,330,676	-3.00%
Invested in Capital Assets, Net of Related Debt	\$38,165,259	\$36,241,935	5.31%
Restricted Net Assets	1,178,958	944,411	24.84%
Unrestricted Net Assets	20,864,605	19,122,813	9.11%
Total Net Assets	\$60,208,822	\$56,309,159	6.93%

The largest portion of the District's net assets (63%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District utilizes capital assets to serve its customers; therefore, these assets are not available for future spending. While the District's investment in capital assets is reported net of related debt, be aware that the funds needed to repay this debt must be contributed from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, restricted net assets (2%) are subject to external restriction on how they may be used (specifically, for repayment on the 1998 GO Bond). The remaining unrestricted net assets (35%) may be utilized to meet the District's ongoing obligations and future facility improvements or replacements.

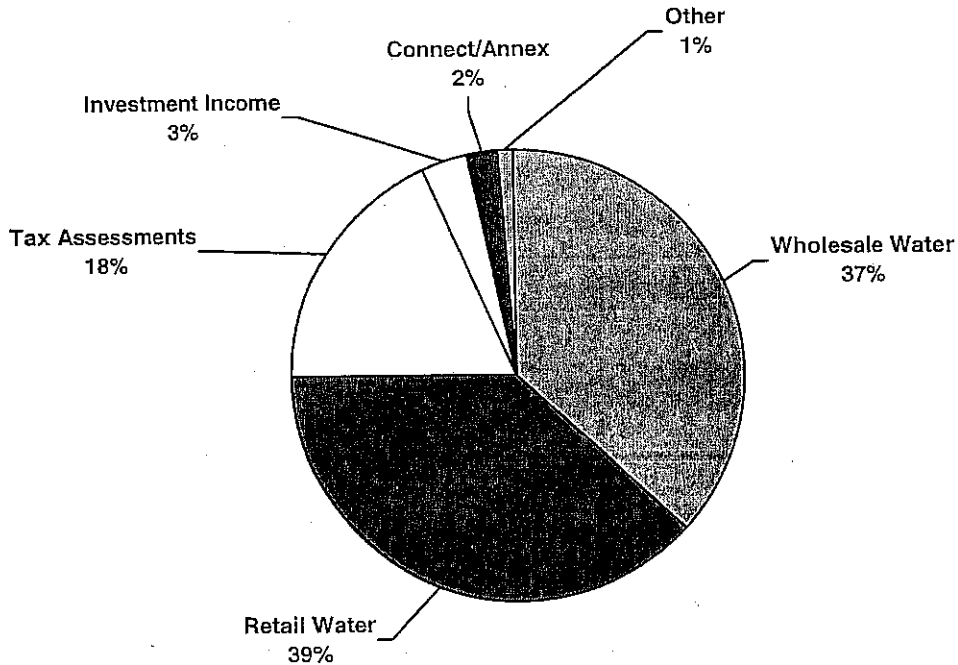
The increase of \$3,899,663 in total net assets is represented by the increases in revenues and capital contributions. The District was awarded a grant to fund a portion of the Water Treatment Plant Betterments and recognized approximately \$2 million in association with the amount reimbursable to date.

**San Juan Water District**  
**Statement of Revenues, Expenses and Changes in Net Assets**

	2004	2003	% Change
Operating Revenues	\$10,690,082	\$9,713,857	10.05%
Non-operating Revenues	4,040,058	3,329,045	21.36%
<b>Total Revenues</b>	<b>\$14,730,140</b>	<b>\$13,042,902</b>	<b>12.94%</b>
Operating Expenses	\$9,763,001	\$9,672,618	0.93%
Depreciation	2,256,490	2,079,259	8.52%
Non-Operating Expenses	1,013,406	428,465	136.52%
<b>Total Expenses</b>	<b>\$13,032,897</b>	<b>\$12,180,342</b>	<b>7.00%</b>
Net Income Before Capital Contributions	\$1,697,243	\$862,560	96.77%
Capital Contributions	2,202,420	382,314	476.08%
Change in Net Assets	\$3,899,663	\$1,244,874	213.26%
Beginning Net Assets	56,309,159	55,064,285	2.26%
<b>Total Net Assets</b>	<b>\$60,208,822</b>	<b>\$56,309,159</b>	<b>6.93%</b>

The increase of \$976,225 in operating revenues is primarily due to rate increases and a new annual debt service charge, which is collected through water charges for the 2003 COP payments. The \$711,013 increase in non-operating revenues resulted from increased GO bond assessments, property tax revenue, and reimbursements received from other agencies for their share of the obligations on the COPs.

**Revenues By Source**



In general, expenses increased at the inflation rate and the growth rate for the demand for services. The largest portion of increases is associated with the 2003 COPs interest expense.

### Budget Highlights

In general, differences between actual versus budgeted amounts were minor and favorable at the end of the fiscal year:

- Increase of \$95,336 in wholesale water revenue;
- Increase of \$148,344 in retail water revenue; and
- Decrease of \$362,831 in District-wide expenses.

District managers are encouraged to request only the budget amounts they believe will be necessary to fund their programs for the fiscal year, without regard to maintaining a specific budget level from year-to-year. This is done to avoid creating an environment in which programs are budgeted at a specific budget level for fear of losing funds in future years, thereby leaving idle resources unspent that might have been utilized for other District programs or activities.

### Capital Asset and Debt Administration

#### Capital Assets

The District's investment in capital assets as of June 30, 2004, net of accumulated depreciation, is \$45,475,268. This investment includes land, buildings, water treatment plant and distribution system, construction in progress, vehicles, equipment, office equipment and furniture. The increase from the prior fiscal year of \$1,606,299 is largely due to the water treatment plant betterments started during the fiscal year. At the end of the fiscal year, the District had \$5,921,818 in construction commitments outstanding.

New subdivision and commercial development within the Retail Service Area has experienced a continuing growth trend. During the fiscal year 2003-2004, the District accepted capital contributions by developers for donated systems with a combined value of \$160,028. The outlook for the next fiscal year 2004-2005 shows a continuing growth trend with some vacant land currently being developed.

#### Debt Administration

As of June 30, 2004, the District had four different debt issues outstanding in an aggregate amount of \$24,526,137. Of this amount, \$1,834,924 represents the current portion due in Fiscal Year 2004-2005.

#### San Juan Water District Outstanding Debt Issues

	2004	2003
2003 Certificates of Participation	\$23,225,000	\$23,995,000
1998 General Obligation Refunding Bonds	\$980,000	\$1,905,000
1977 Economic Development Administration Loan	\$282,131	\$297,351
California Energy Commission Loan	\$39,006	\$42,720

MBIA Indemnity Corporation insures the payment of the principal and interest on the Certificates of Participation. Standard & Poor's Ratings Group and Moody's Rating Services had given the COP a rating of "AAA" with the issuance of bond insurance by MBIA Indemnity Corporation.

Financial Guaranty Insurance Company insures the payment of the principal and interest on the general obligation bonds. Standard & Poor's Ratings Group had given the Bonds a rating of "AAA" with the issuance of bond insurance by Financial Guaranty Insurance Company.

### **Economic Factors and Next Year's Budgets and Rates**

The local economy has experienced growth during the fiscal year, with a positive outlook. Interest rates are rising, which will provide enhanced investment opportunity in the next year. The Consumer Price Index (CPI) increased 2.5% over the prior 12 months. The District will lose approximately 40%, \$360,000, of the 1% property tax revenue that it receives for each of the next two fiscal years. This was anticipated in the 10 year financial plan completed during Fiscal Year 2003, so it has been factored into the capital improvements program.

These factors were taken into consideration during preparation of the Fiscal Year 2004-2005 Budget. As approved by the Board of Directors, the District's Wholesale Water Rates are scheduled to increase 8% on January 1, 2005 and the Retail Water Rates will increase 2% on September 1, 2004. These increases are required to fund the capital improvement program and maintain pace with inflation.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the San Juan Water District, 9935 Auburn-Folsom Road, Granite Bay, CA 95746.



## BASIC FINANCIAL STATEMENTS

SAN JUAN WATER DISTRICT

BALANCE SHEETS

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,075,271	\$ 14,121,885
Accounts receivable - water sales, services and standby charges, net	1,223,778	914,900
Grants receivable	2,042,392	
Accrued interest and taxes receivable	249,615	175,320
Current portion of amounts recoverable under long-term water sales contracts	252,672	298,368
Inventory	78,689	84,803
Prepaid expenses	<u>548,691</u>	<u>602,329</u>
TOTAL CURRENT ASSETS	14,471,108	16,197,605
RESTRICTED ASSETS		
Cash and cash equivalents	17,012,348	20,062,562
Investments	1,924,506	
CAPITAL ASSETS, NET	45,475,268	43,868,969
OTHER ASSETS		
Investments	4,925,729	533,386
Amounts recoverable under long-term water sales contracts	2,507,904	2,760,576
Investment in electrical power	442,366	450,829
Deferred charges - unamortized bond expenses and other	<u>929,516</u>	<u>765,908</u>
TOTAL ASSETS	<u>\$ 87,688,745</u>	<u>\$ 84,639,835</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 1,834,924	\$ 1,713,934
Accounts payable	1,454,202	959,623
Accrued interest	389,402	16,973
Customer/developer deposits	71,023	59,713
Deferred income	41,250	63,409
Due to other governments		56,095
Deposits held for other governments	<u>227,091</u>	<u>227,702</u>
TOTAL CURRENT LIABILITIES	4,017,892	3,097,449
LONG-TERM LIABILITIES		
Long-term debt	22,869,595	24,669,042
Compensated absences	<u>592,436</u>	<u>564,185</u>
TOTAL LIABILITIES	<u>27,479,923</u>	<u>28,330,676</u>
NET ASSETS		
Invested in capital assets, net of related debt	38,165,259	36,241,935
Restricted	1,178,958	944,411
Unrestricted	<u>20,864,605</u>	<u>19,122,813</u>
TOTAL NET ASSETS	<u>60,208,822</u>	<u>56,309,159</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 87,688,745</u>	<u>\$ 84,639,835</u>

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

SAN JUAN WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2004 and 2003

	2004	2003
<b>OPERATING REVENUES</b>		
Water sales - wholesale		
Water charges to retail area	\$ 1,929,188	\$ 1,661,976
Citrus Heights Water District	1,331,022	1,147,534
Fair Oaks Water District	825,757	822,664
Sacramento Suburban Water District	749,941	690,588
Orangevale Mutual Water Company	258,079	280,537
City of Folsom	132,196	104,330
Granite Bay Golf Club	17,105	13,997
Total Water Sales - Wholesale	5,243,288	4,721,626
Water sales - retail	5,414,979	4,940,654
Other	31,815	51,577
<b>TOTAL OPERATING REVENUES</b>	<b>10,690,082</b>	<b>9,713,857</b>
<b>OPERATING EXPENSES</b>		
Source of supply		
Water charged to retail area	1,929,188	1,661,976
Placer County Water Agency	392,252	314,503
U.S. Bureau of Reclamation	279,387	375,747
Wheeling	178,591	145,123
Bureau pumping	42,448	100,861
Other	36,180	39,355
Energy assessments	7,977	7,258
Depreciation	2,256,490	2,079,259
Administrative and general	1,975,784	2,033,951
Water treatment	1,616,340	1,518,716
Transmission and distribution	1,201,061	1,480,290
Pumping and telemetry	692,185	598,394
Customer service	505,118	550,880
Conservation	334,962	434,527
Engineering	325,821	329,770
Interest expense	245,707	81,267
<b>TOTAL OPERATING EXPENSES</b>	<b>12,019,491</b>	<b>11,751,877</b>
<b>NET LOSS FROM OPERATIONS</b>	<b>(1,329,409)</b>	<b>(2,038,020)</b>
<b>NONOPERATING REVENUES</b>		
Tax assessments	2,575,610	2,141,859
Investment income	479,746	474,741
Connections and annexations	315,512	406,592
Other	669,190	305,853
<b>TOTAL NONOPERATING REVENUES</b>	<b>4,040,058</b>	<b>3,329,045</b>
<b>NONOPERATING EXPENSES</b>		
Bond and note interest	888,697	405,597
Other	124,709	22,868
<b>TOTAL NONOPERATING EXPENSES</b>	<b>1,013,406</b>	<b>428,465</b>
<b>NET INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>1,697,243</b>	<b>862,560</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>2,202,420</b>	<b>382,314</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,899,663</b>	<b>1,244,874</b>
Net assets at beginning of year, as previously reported	56,309,159	35,767,759
Prior period adjustment		19,296,526
Net assets at beginning of year, as restated	<b>56,309,159</b>	<b>55,064,285</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 60,208,822</b>	<b>\$ 56,309,159</b>

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

SAN JUAN WATER DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 10,370,355	\$ 9,320,140
Cash paid to suppliers for goods and services	(6,134,735)	(7,020,770)
Cash paid to employees for services	<u>(3,214,928)</u>	<u>(3,462,154)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,020,692	(1,162,784)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other income/expenses	552,333	282,009
Tax assessments	<u>2,581,179</u>	<u>2,172,290</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,133,512	2,454,299
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Advance for pipeline construction		(497,670)
Purchases of capital assets	(3,704,555)	(2,903,870)
Proceeds from sale of capital assets	7,430	
Payments received on amounts recoverable under water sales contracts	298,368	217,728
Payments on long-term debt	(1,713,934)	(1,283,007)
Proceeds from issuance of debt		24,571,998
Issuance costs paid		(447,771)
Interest paid	(480,791)	(407,439)
Debt service cover charges returned, net	(56,095)	(56,963)
Debt service reserve held for other governments		227,702
Connection and annexation income	315,512	406,592
Transferred to trustee to defease debt		<u>(6,073,426)</u>
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,334,065)	13,753,874
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(7,023,742)	(98,712)
Proceeds from sale and maturity of investments	593,159	1,084,386
Investment income	<u>513,616</u>	<u>459,232</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(5,916,967)</u>	<u>1,444,906</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,096,828)	16,490,295
Cash and cash equivalents at beginning of year	<u>34,184,447</u>	<u>17,694,152</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,087,619</u>	<u>\$ 34,184,447</u>

SAN JUAN WATER DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Net loss from operations	\$ (1,329,409)	\$ (2,038,020)
Adjustments to reconcile net loss from operations to net cash (used) provided by operating activities		
Depreciation and amortization	2,282,083	2,129,857
Loss on disposal of capital assets	(5,636)	
Changes in assets and liabilities:		
Accounts receivable	(308,878)	(397,509)
Inventory	6,114	(10,915)
Prepaid expenses	53,638	(14,037)
Deferred charges	(189,201)	33,590
Accounts payable	494,579	(845,699)
Customer/developer deposits	11,310	19,107
Deferred income	(22,159)	(15,315)
Compensated absences	<u>28,251</u>	<u>(23,843)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,020,692</u>	<u>\$ (1,162,784)</u>
NONCASH ACTIVITIES		
Change in fair value of investments	\$ (113,734)	\$ 81,294
Receipt of contributed assets	\$ 160,028	\$ 382,314

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

# SAN JUAN WATER DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2004 and 2003

### NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Juan Water District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As allowed by the GASB, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant of the District's accounting policies are described below.

Reporting Entity: The San Juan Water District ("District") was incorporated March 4, 1954 as a community service district under community service district law of the State of California (Section 60000 et. seq., Title 5, Division 3 of the California Government Code). The District is governed by a five member Board of Directors elected by the voters within the District for staggered, four year terms, every two years. The District provides water to retail customers in Sacramento and Placer Counties and sells water on a wholesale basis to other agencies. The accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

The District has created the San Juan Water District Financing Corporation (the Corporation) to provide assistance to the District in the issuance of debt. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the District and its sole purpose is to provide financing to the District under the debt issuance documents of the District. Debt issued by the Corporation is reflected as debt of the District in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

Basis of Presentation--Fund Accounting: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net assets is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as deferred revenues until earned. Earned but unbilled water services are accrued as revenue. Water lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized as pipelines, reservoirs, pumping stations and buildings.

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

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.

Budgetary Principles: The Board of Directors does not operate under any legal budgeting constraints. Budget integration is employed as a management control device. Budgets are formally adopted by the Board and take effect on each July 1.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Overhead Allocation: The quarterly overhead expense of maintaining vehicles, equipment, small tools and radios is charged to construction jobs and maintenance operations performed by District forces, all prorated on a man-hour basis. In addition, administrative overhead in the amount of 15% of the total cost is added to all jobs to recover associated costs.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets.

Capital Assets: Capital assets are recorded at historical cost. Donated assets are valued at estimated fair value on the date received. Depreciation is calculated using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Building and structures	15-30 years
Machinery and equipment	3-15 years
Plant and pipelines	33 years

Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than \$500. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Inventory: Inventories are stated at the lower of cost, on a weighted average method, or market. Inventories consist of materials and supplies.

Bond Premiums and Issuance Costs: Bond premiums, as well as issuance costs, are deferred and amortized over the lives of the bonds. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are reported as unamortized bond expenses, a component of Other Assets.

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE A--REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes: The District receives property taxes from both Sacramento and Placer Counties. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of March 1 of the preceding fiscal year. They become a lien on the first day of the levy year they are levied. Secured property tax is levied on January 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. At that time, delinquent accounts are assessed a penalty of 10 percent. Accounts that remain unpaid on June 30 are charged an additional 1½ percent per month. Unsecured property tax is levied on July 1 and due on July 31, and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax. The District elected to receive the property taxes from the Counties under the Teeter Bill. Under this program the District receives 100% of the levied property taxes in periodic payments with the Counties assuming responsibility for delinquencies.

Compensated Absences: The District's policy allows employees to accumulate earned but unused vacation and sick leave which will be paid to employees upon separation from the District's service, subject to a vesting policy. The cost of vacation and sick leave is recorded in the period accrued.

Deferred Income: Deferred income represents revenues received for wholesale and retail sales that have not been earned as of June 30, 2004 and 2003.

Water Charge to Retail Area: For accounting purposes a charge is made to the retail area for water used at a wholesale rate. This amount is recorded as income to the wholesale unit and as expense to the retail area.

NOTE B--CASH AND INVESTMENTS

California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. During the year ended June 30, 2004, the District's permissible investments included the following instruments:

- U.S. Treasury bills, notes, bonds, bills or certificates of indebtedness
- Federal agencies or U.S. government-sponsored enterprise obligations, participations or other instruments
- Bankers acceptances
- High grade commercial paper
- Negotiable Certificates of Deposit
- Local Agency Investment Fund
- Time Deposits
- High grade and medium term corporate and depository institution notes
- Money market mutual funds invested in U.S. Government securities
- High grade mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment leased-back certificate, consumer receivable pass-through certificate or consumer receivable-backed bond

The District complied with the provisions of State statutes pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.



SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE B--CASH AND INVESTMENTS (Continued)

The District's cash and cash equivalents consisted of the following as of June 30:

	<u>2004</u>	<u>2003</u>
Unrestricted cash and equivalents		
Investment in Local Agency Investment Fund (LAIF)	\$ 8,196,900	\$ 10,210,867
Deposits in financial institutions	1,587,805	2,248,192
Money market mutual funds	290,216	1,662,476
Cash on hand	<u>350</u>	<u>350</u>
	10,075,271	14,121,885
Restricted cash and equivalents		
Investment in LAIF	16,858,925	17,994,411
Deposits in financial institutions	136,294	134,507
Money market mutual funds	<u>17,129</u>	<u>1,933,644</u>
	<u>17,012,348</u>	<u>20,062,562</u>
Total cash and cash equivalents	<u>\$ 27,087,619</u>	<u>\$ 34,184,447</u>

At June 30, 2004, the carrying amount of the District's deposits was \$1,724,099 and the balances in financial institutions was \$1,801,236. Of the balance in financial institutions, \$1,169,179 was covered by federal depository insurance and supplemental insurance held by the investment broker and \$632,057 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the market value of the common pool of collateral be equal to or greater than 110% of all public deposits with the pledging financial institution if governmental securities are used, or 150% if mortgages are used, as collateral. The collateral is not held by, or in the name of, the District.

The District's investments in mutual funds are stated at fair value and LAIF is stated at amortized cost, which approximates fair value. The District's investments in mutual funds and LAIF are not subject to categorization under GASB Statement No. 3. The total amount invested by all public agencies in LAIF is \$57,600,699,158 managed by the State Treasurer. Of that amount, 98.4 percent is invested in non-derivative financial products and 1.6 percent in derivative financial products and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Carrying values of investment securities at June 30, 2004 and 2003, are summarized as follows:

	<u>2004</u>	<u>2003</u>
Unrestricted investments		
U.S. Government securities	\$ 4,611,596	
Corporate bonds	<u>314,133</u>	<u>\$ 533,386</u>
	4,925,729	533,386
Restricted investments		
Guaranteed investment contracts	<u>1,924,506</u>	
Total investments	<u>\$ 6,850,235</u>	<u>\$ 533,386</u>

The District's investments are stated at fair value and are categorized to give an indication of the level of credit risk assumed by the District at June 30, 2004. The U.S. Government securities, corporate bonds and guaranteed investment contracts are insured or registered, or the related securities are held by the District or its agent in the District's name and thus are credit risk Category 1 as defined by the GASB.

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE B--CASH AND INVESTMENTS (Continued)

Cash and investments includes restricted amounts of \$18,936,854 and \$20,056,448 at June 30, 2004 and 2003, respectively, which represent monies restricted for certain capital projects as authorized by the related debt and for the retirement of debt.

NOTE C--PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the years ended June 30, 2004 and 2003 are as follows:

	Balance July 1, 2003	Additions	Disposals	Transfers And Adjustments	Balance June 30, 2004
Capital assets not being depreciated					
Land	\$ 515,066	\$ 105,795		\$ (62,686)	\$ 558,175
Construction in progress	<u>5,076,645</u>	<u>3,220,967</u>		<u>(4,251,910)</u>	<u>4,045,702</u>
Total capital assets not being depreciated	5,591,711	3,326,762		(4,314,596)	4,603,877
Capital assets being depreciated:					
Pipelines, reservoirs, pumping stations and buildings	67,118,063	463,393		4,056,292	71,637,748
Vehicles and equipment	<u>2,247,892</u>	<u>74,428</u>	\$ (69,941)	<u>258,304</u>	<u>2,510,683</u>
Total capital assets being depreciated	69,365,955	537,821	(69,941)	4,314,596	74,148,431
Less accumulated depreciation for:					
Pipelines, reservoirs, pumping stations and buildings	(29,546,925)	(2,016,810)			(31,563,735)
Vehicles and equipment	<u>(1,541,772)</u>	<u>(239,680)</u>	<u>68,147</u>		<u>(1,713,305)</u>
Total accumulated depreciation	(31,088,697)	(2,256,490)	68,147		(33,277,040)
Total capital assets being depreciated, net	<u>38,277,258</u>	<u>(1,718,669)</u>	<u>(1,794)</u>	<u>4,314,596</u>	<u>40,871,391</u>
Capital assets, net	<u>\$ 43,868,969</u>	<u>\$1,608,093</u>	<u>\$ (1,794)</u>	<u>\$</u>	<u>\$ 45,475,268</u>
	Balance July 1, 2002	Additions	Disposals	Transfers And Adjustments	Balance June 30, 2003
Capital assets not being depreciated					
Land	\$ 423,101	\$ 91,965			\$ 515,066
Construction in progress	<u>4,228,404</u>	<u>1,478,036</u>		<u>\$ (629,795)</u>	<u>5,076,645</u>
Total capital assets not being depreciated	4,651,505	1,570,001		(629,795)	5,591,711

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE C--PROPERTY, PLANT AND EQUIPMENT (Continued)

	Balance July 1 <u>2002</u>	<u>Additions</u>	<u>Disposals</u>	Transfers And <u>Adjustments</u>	Balance June 30, <u>2003</u>
Capital assets being depreciated:					
Pipelines, reservoirs, pumping stations and buildings	\$ 64,866,641	\$1,621,627		\$ 629,795	\$ 67,118,063
Vehicles and equipment	<u>2,206,714</u>	<u>90,612</u>	\$ (49,434)		<u>2,247,892</u>
Total capital assets being depreciated	67,073,355	1,712,239	(49,434)	629,795	69,365,955
Less accumulated depreciation for:					
Pipelines, reservoirs, pumping stations and buildings	(27,629,912)	(1,917,013)			(29,546,925)
Vehicles and equipment	<u>(1,432,904)</u>	<u>(158,302)</u>	49,434		<u>(1,541,772)</u>
Total accumulated depreciation	(29,062,816)	(2,075,315)	49,434	3,944	(31,088,697)
 Total capital assets being depreciated, net	 <u>38,010,539</u>	 <u>(363,076)</u>	 <u>          </u>	 <u>629,795</u>	 <u>38,277,258</u>
 Capital assets, net	 <u>\$ 42,662,044</u>	 <u>\$1,206,925</u>	 <u>\$          </u>	 <u>\$          </u>	 <u>\$ 43,868,969</u>

NOTE D--INVESTMENT IN ELECTRICAL POWER

The District participates in the California-Oregon Transmission Project (Project), a Joint Powers Authority (JPA), a project of the Department of Energy, Western Area Power Administration. The Project is governed by a Management Committee, which is chaired by a representative of the Transmission Agency of Northern California with each participant in the project having representation on the Management Committee.

The District applied as a Community Services District and a Central Valley Project Contractor, and received allocation of 1MW (megawatt) of power (capacity and associated energy) in exchange for an investment as a participant in the construction of the transmission line. Subsequent to the original allocation from the Department of Energy, the District purchased one additional megawatt of power from Trinity County Public Utility District. The cost of the purchase was \$75,000, plus a prorated share in the construction of the transmission line.

Through a partial assignment of the District's California-Oregon Transmission Project entitlement to the Department of Energy, Western Area Power Administration, the District receives preferential energy rates and a discount on the US Bureau of Reclamation pumping from Folsom Lake.

The District has a 0.13 percent equity interest in the net assets of the Project as defined in the Long-Term Participation Agreement. The District also has an obligation to finance 0.13 percent of the net losses of the Project; it also has the right to receive 0.13 percent of the operating results of the Project income. The District is billed monthly for its share of the operations and maintenance costs of the Project, which totaled approximately \$7,977 and \$7,100 during the years ended June 30, 2004 and 2003, respectively. The District's net investment and its share of the operating results of the Project are reported as Investment in Electrical Power. The Project unaudited interim financial statements for the nine-month period ended March 31, 2004, are available from the California-Oregon Transmission Project at P.O. Box 15140, Sacramento, CA, 95866.

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE D--INVESTMENT IN ELECTRICAL POWER (Continued)

The following is the summarized unaudited financial information for the Project as of and for the nine-month periods ended March 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Balance sheet		
Assets	<u>\$ 352,806,966</u>	<u>\$ 359,827,032</u>
Liabilities	\$ 7,779,045	\$ 7,920,006
Capitalization	<u>345,027,921</u>	<u>351,907,026</u>
	<u>\$ 352,806,966</u>	<u>\$ 359,827,032</u>
Income statement		
Operating revenues	\$ 3,613,579	\$ 3,176,267
Operation expenses	<u>11,298,059</u>	<u>10,420,190</u>
Operating loss	(7,684,480)	(7,243,923)
Nonoperating revenue - interest	<u>16,470</u>	<u>25,524</u>
Net loss	<u>\$ (7,668,010)</u>	<u>\$ (7,218,399)</u>
District's share of net loss for nine-month periods	<u>\$ (9,514)</u>	<u>\$ (9,622)</u>

NOTE E--LONG-TERM LIABILITIES

Long-term debt consists of the following at June 30:

	<u>2004</u>	<u>2003</u>
<b>2003 REVENUE CERTIFICATES OF PARTICIPATION</b>		
Issued on June 25, 2003 in the amount of \$23,995,000 to advance refund the 1993 Revenue Certificates of Participation and fund certain capital improvements secured by a lien on all revenues of the District. Principal payments, ranging from \$475,000 to \$1,455,000 due on February 1 through 2033, and semi-annual interest payments, ranging from \$25,294 to \$555,338, due on February 1 and August 1 through February 1, 2033. Interest rates ranging from 2% to 4.75%.	\$ 23,225,000	\$ 23,995,000
<b>1998 GENERAL OBLIGATION REFUNDING BONDS</b>		
Issued on February 1, 1998 to refund the 1974 Water Bonds, Series A and B and the 1979 Water Bonds. Face value of \$5,980,000, one remaining principal payment of \$980,000 is due on April 1, 2005, and semi-annual interest payments of \$20,335, due on April 1 and October 1 through April 2005. Interest rate is 4.15%.	980,000	1,905,000
<b>1977 ECONOMIC DEVELOPMENT ADMINISTRATION LOAN</b>		
Entered into on September 14, 1977 related to a 1977 Drought Act Loan. Interest rate is 5%. Face value of \$512,000, annual principal and interest payments of \$30,088 due through July 2016, with a final payment of \$29,227 due July 2017.	282,131	297,351

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE E--LONG-TERM LIABILITIES (Continued)

	<u>2004</u>	<u>2003</u>
CALIFORNIA ENERGY COMMISSION ADVANCE		
Advance received on October 4, 2000 related to the Energy Efficiency Improvements project. Interest rate is 5.9%. Face value of \$47,553, semi-annual principal and interest payments of \$3,094 due through June 22, 2012.		
	\$ 39,006	\$ 42,720
Total	24,526,137	26,240,071
Less: current portion	<u>(1,834,924)</u>	<u>(1,713,934)</u>
	22,691,213	24,526,137
Add: Unamortized premium	542,897	576,997
Less: Deferred amount on refunding	<u>(364,515)</u>	<u>(434,092)</u>
	\$ 22,869,595	\$ 24,669,042
Long-term debt	<u>\$ 22,869,595</u>	<u>\$ 24,669,042</u>

The activity of the District's long-term liabilities during the years ended June 30, 2004 and 2003 are as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
2003 Revenue Certificates of Participation	\$ 23,995,000		\$ (770,000)	\$ 23,225,000	\$ 835,000
1998 General Obligation Refunding Bonds	1,905,000		(925,000)	980,000	980,000
1977 Economic Development Administration Loan	297,351		(15,220)	282,131	15,981
California Energy Commission Advance	<u>42,720</u>		<u>(3,714)</u>	<u>39,006</u>	<u>3,943</u>
	<u>\$ 26,240,071</u>	<u>\$</u>	<u>\$(1,713,934)</u>	<u>\$ 24,526,137</u>	<u>\$ 1,834,924</u>
Compensated absences	<u>\$ 564,185</u>	<u>\$ 28,251</u>			<u>\$ 592,436</u>

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE E--LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
2003 Revenue Certificates of Participation		\$ 23,995,000		\$ 23,995,000	\$ 770,000
1988 General Obligation Refunding Bonds	\$ 2,785,000		\$ (880,000)	1,905,000	925,000
1977 Economic Development Administration Loan	311,846		(14,495)	297,351	15,220
California Energy Commission Advance	46,231		(3,511)	42,720	3,714
1993 Revenue Certificates of Participation	<u>6,095,000</u>		<u>(6,095,000)</u>		
	<u>\$ 9,238,077</u>	<u>\$ 23,995,000</u>	<u>\$(6,993,006)</u>	<u>\$ 26,240,071</u>	<u>\$ 1,713,934</u>
Compensated absences	<u>\$ 588,028</u>			<u>\$ (23,843)</u>	<u>\$ 564,185</u>

The following is a schedule of maturities for long-term debt:

Year Ended June 30,	Principal	Interest	Total
2005	\$ 1,834,924	\$ 950,057	\$ 2,784,981
2006	875,960	901,653	1,777,613
2007	897,049	879,651	1,776,700
2008	918,191	848,280	1,766,471
2009	954,400	816,500	1,770,900
2010-2014	5,019,488	3,590,444	8,609,932
2015-2019	2,756,125	2,868,484	5,624,609
2020-2024	3,255,000	2,266,317	5,521,317
2025-2029	4,040,000	1,457,617	5,497,617
2030-2033	<u>3,975,000</u>	<u>404,403</u>	<u>4,379,403</u>
Total	<u>\$ 24,526,137</u>	<u>\$ 14,983,406</u>	<u>\$ 39,509,543</u>

The District is required by its 2003 Revenue Certificates of Participation to collect rates and charges from its water system that will be sufficient to yield net revenues equal to 115% of debt service payments on any future debt issued and deposit the net revenues in a revenue fund pledged for such future debt service payments.

In June 2003, the District utilized proceeds of the 2003 Revenue Certificates of Participation totaling \$5,690,000 with an average interest rate of 3.33% to advance refund \$5,710,000 of outstanding 1993 Revenue Certificates of Participation with an average interest rate of 5.25%. Proceeds in the amount of \$6,073,426, including existing funds of \$205,488, were deposited in an irrevocable trust to provide for all future debt service payments on the 1993 Certificates of Participation. As a result, the 1993 Certificates of Participation were considered defeased and the liability for the

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE E--LONG-TERM LIABILITIES (Continued)

deceased 1993 Certificates of Participation was removed from the District's financial statements. At June 30, 2003, \$5,690,000 of 1993 Certificates of Participation outstanding were considered deceased. As of June 30, 2004, the 1993 Certificates of Participation were fully retired.

In 1998, the District defeased its share of outstanding 1974 and 1979 General Obligation Water Bonds by placing the proceeds of the new 1998 General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased General Obligation Water Bonds are not included in the District's financial statements. At June 30, 2003, \$54,260 of General Obligation Water Bonds outstanding were considered deceased. At June 30, 2004, the 1974 and 1979 General Obligation Water Bonds were fully retired.

The District participated with four other water districts in the cooperative transmission pipeline project, two of which also participated in the 1993 Revenue Certificates of Participation to finance their share of the pipeline costs. Their share of the 1993 Revenue Certificates of Participation proceeds totaled \$4,661,845. Although the 1993 Revenue Certificates of Participation were refunded, a portion of the scheduled debt maturities in the previous table continue to be partially offset by amounts recoverable under long-term water sales contracts from Fair Oaks Water District and Orangevale Mutual Water Company. The following is a schedule of maturities for the amounts recoverable from these agencies:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 252,672	\$ 83,789	\$ 336,461
2006	258,048	78,691	336,739
2007	266,112	72,354	338,466
2008	271,488	63,172	334,660
2009	282,240	53,898	336,138
2010-2013	<u>1,430,016</u>	<u>123,630</u>	<u>1,553,646</u>
Total	<u>\$ 2,760,576</u>	<u>\$ 475,534</u>	<u>\$ 3,236,110</u>

NOTE F--NET ASSETS

Restrictions: Restricted net assets consist of constraints placed on net asset use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restrictions include the following at June 30:

	<u>2004</u>	<u>2003</u>
Debt service reserve on 1998 General Obligation Refunding Bonds	\$ 1,178,958	\$ 903,541
15% debt service cover on 1993 Revenue Certificates of Participation	<u>                    </u>	<u>40,870</u>
Total restricted net assets	<u>\$ 1,178,958</u>	<u>\$ 944,411</u>

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE F--NET ASSETS (continued)

Designations: Designations of unrestricted net assets may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. The following is a summary of designated net asset balances at June 30:

	<u>2004</u>	<u>2003</u>
Reserve for treatment plant facilities	\$ 721,318	\$ 2,161,378
Funds for retail service area construction of pipeline, pump stations, storage facilities, and service connections	2,266,471	2,813,124
Operating reserves	2,185,002	2,027,105
Hinkle Reservoir lining replacement reserve	1,905,129	1,855,129
Rate stabilization reserve	1,000,000	1,000,000
Reserve for replacement of vehicles, equipment and facilities	2,498,894	966,744
Reserve for employees' vacation and sick leave	705,470	573,375
Reserve for emergency, natural disaster repairs, replacement or new construction of facilities		406,263
Certificate of participation debt service sinking fund		317,600
Retail budgeted Master Plan projects carried over from prior fiscal year	280,000	253,000
Vulnerability assessment improvements	250,000	250,000
Kokila Reservoir lining replacement reserve	256,738	246,738
Hydraulic improvement project	181,667	181,667
WEL garden		120,000
Developers' deposits for construction and inspection	77,376	81,374
Connect funds for retail projects		77,013
PERS rate stabilization reserve	1,000,000	
Reserve for Regional Water Master Plan		68,154
Wholesale budgeted master plan projects carried from prior fiscal year		60,000
USBR parallel water pipeline		53,000
Economic Development Administration loan sinking fund	30,000	30,000
Self-insurance reserve	<u>20,000</u>	<u>20,000</u>
Total designated net assets	<u>\$ 13,378,065</u>	<u>\$ 13,561,664</u>

NOTE G--EMPLOYEES' RETIREMENT PLAN

**Plan Description:** The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. 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 employers within the State of California. All permanent full and part time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable



SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE G--EMPLOYEES' RETIREMENT PLAN (Continued)

for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months full-time equivalent monthly pay. Copies of the PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: Active plan members are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate of 14.721% for the year ended June 30, 2004. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost: For the year ending June 30, 2004, the District incurred annual pension cost of \$620,998. The required contribution was determined as part of the June 30, 2001 actuarial valuation using entry age actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary in duration of service ranging from 3.75% to 14.20% for miscellaneous members and (c) 3.75% cost of living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a three year period (smoothed market value). The plan's excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2001 was 16 years.

Three-Year Trend Information for the District

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2002	\$ 159,729	100%
June 30, 2003	\$ 529,534	100%
June 30, 2004	\$ 620,998	100%

Required Supplementary Information - Funded Status of Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Assets Value</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Excess Assets (Unfunded Liability)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess Assets (Unfunded Liability) As a % of Covered Payroll</u>
June 30, 2000	\$ 6,777,325	\$5,569,311	\$ 1,208,014	121.7%	\$ 1,970,034	61.3 %
June 30, 2001	\$ 7,073,257	\$8,133,727	\$(1,060,470)	87.0%	\$ 2,387,003	(44.4)%
June 30, 2002	\$ 6,761,069	\$9,707,372	\$(2,946,303)	69.6%	\$ 2,690,391	(109.5)%

NOTE H--POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits, the District provides certain healthcare benefits for retired employees through PERS. Substantially all of the District's full-time employees may become eligible for those benefits if they reach normal retirement age while working for the District. At June 30, 2004, fifteen retired employees/survivor dependents meet those eligibility requirements. The District's contributions are financed on a pay-as-you-go basis and thus the District recognizes the cost of providing those benefits by expensing the annual insurance premiums, which amounted to \$100,660 and \$84,106 for the years ended June 30, 2004 and 2003, respectively.

SAN JUAN WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2004 and 2003

NOTE I--INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials liability property damage and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

<u>Coverage</u>	<u>ACWA/JPIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
General and Auto Liability (includes public officials liability)	\$ 500,000	\$ 39,500,000	None
Property Damage	50,000	50,000,000	\$500 to 25,000
Fidelity	100,000		1,000
Workers Compensation liability	2,000,000	Statutory	None
Employers liability	2,000,000	Statutory	None

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J--COMMITMENTS AND CONTINGENCIES

The District signed two contracts for \$7,815,603 with consultants for water treatment plant improvements. The improvements on the water treatment plant began during the fiscal year ended June 30, 2002, with \$5,921,818 committed but unpaid under the contract at June 30, 2004. The District has also signed a contract for \$995,339 with the County of Sacramento for water system construction costs during the fiscal year ended June 30, 2003, with \$497,669 committed but unpaid under the contract at June 30, 2004.

NOTE K--SUBSEQUENT EVENT

The State of California budget will require the District to shift 40% of its property tax revenue to the State of California with a limit of 10% of total revenues during the years ended June 30, 2005 and 2006.

NOTE L--RESTATEMENT

In June 1999, the GASB unanimously approved Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Retained earnings at July 1, 2002, have been restated to reflect the cumulative effect of the implementation of GASB Statement No. 34. Implementation of this Statement resulted in a prior period adjustment of \$19,296,526 at July 1, 2002, to remove revenues recorded as contributed capital and record this amount as unrestricted net assets. Certain amounts were also reclassified as net assets invested in capital assets, net of related debt and restricted net assets.

ADDITIONAL INFORMATION

SAN JUAN WATER DISTRICT

SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

Year Ended June 30, 2004

	<u>Total</u>	<u>Wholesale</u>	<u>Retail</u>
Salaries and benefits	\$ 1,529,362	\$ 616,520	\$ 912,842
Audit/consulting	84,333	51,913	32,420
Buildings and grounds			
Office	26,706	13,736	12,970
Shop	99,265	25,095	74,170
Other/landscaping	9,629	675	8,954
Directors' fees/expenses	34,626	17,313	17,313
Education and training	9,541	2,006	7,535
Insurance	76,998	35,311	41,687
Legal	136,143	110,692	25,451
Meetings/conventions	24,435	11,274	13,161
Office supplies/expenses	197,369	84,565	112,804
Public relations	202,257	88,402	113,855
Radio expense	1,289	400	889
Telephone	31,415	7,455	23,960
Utilities	9,280	3,336	5,944
	<u>SUBTOTAL</u>	<u>1,068,693</u>	<u>1,403,955</u>
	2,472,648		
Less overhead allocation	<u>(496,864)</u>	<u>(23,108)</u>	<u>(473,756)</u>
	<u>NET TOTALS</u>	<u>\$ 1,045,585</u>	<u>\$ 930,199</u>
	\$ 1,975,784		

SAN JUAN WATER DISTRICT

SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL

Year Ended June 30, 2004

	Total		Favorable (Unfavorable) Variance
	Actual	Budget	
<b>OPERATING REVENUES</b>			
Water sales - wholesale			
Water charges to retail area	\$ 1,929,188	\$ 1,678,766	\$ 250,422
Citrus Heights Water District	1,331,022	1,301,461	29,561
Fair Oaks Water District	825,757	953,374	(127,617)
Sacramento Suburban Water District	749,941	772,398	(22,457)
Orangevale Mutual Water Company	258,079	318,066	(59,987)
City of Folsom	132,196	109,106	23,090
Granite Bay Golf Club	17,105	14,781	2,324
Total Water Sales - Wholesale	<u>5,243,288</u>	<u>5,147,952</u>	<u>95,336</u>
Water sales - retail	5,414,979	5,266,635	148,344
Other	31,815	13,875	17,940
<b>TOTAL OPERATING REVENUES</b>	<u>10,690,082</u>	<u>10,428,462</u>	<u>261,620</u>
<b>OPERATING EXPENSES</b>			
Source of Supply			
Water charged to retail area	1,929,188	1,690,266	(238,922)
Placer County Water Agency	392,252	320,000	(72,252)
U.S. Bureau of Reclamation	279,387	390,984	111,597
Wheeling	178,591	150,550	(28,041)
Bureau pumping	42,448	221,400	178,952
Other	36,180	26,000	(10,180)
Energy assessments	7,977	10,000	2,023
Administrative and general	1,975,784	2,060,146	84,362
Water treatment	1,616,340	1,699,054	82,714
Transmission and distribution	1,201,061	1,141,740	(59,321)
Pumping and telemetry	692,185	770,843	78,658
Customer service	505,118	491,844	(13,274)
Conservation	334,964	347,299	12,335
Engineering	325,821	403,053	77,232
Interest expense	245,707	402,655	156,948
<b>TOTAL OPERATING EXPENSES</b>			
<b>EXCLUDING DEPRECIATION</b>	<u>9,763,003</u>	<u>10,125,834</u>	<u>362,831</u>
<b>NET INCOME FROM OPERATIONS</b>			
<b>EXCLUDING DEPRECIATION</b>	927,079	<u>\$ 302,628</u>	<u>\$ 624,451</u>
Depreciation	<u>2,256,490</u>		
<b>NET LOSS FROM OPERATIONS</b>	<u>\$ (1,329,411)</u>		

Wholesale			Retail		
Actual	Budget	Favorable (Unfavorable) Variance	Actual	Budget	Favorable (Unfavorable) Variance
\$ 1,929,188	\$ 1,678,766	\$ 250,422			
1,331,022	1,301,461	29,561			
825,757	953,374	(127,617)			
749,941	772,398	(22,457)			
258,079	318,066	(59,987)			
132,196	109,106	23,090			
17,105	14,781	2,324			
<u>5,243,288</u>	<u>5,147,952</u>	<u>95,336</u>			
4,000	300	3,700	\$ 5,414,979	\$ 5,266,635	\$ 148,344
<u>5,247,288</u>	<u>5,148,252</u>	<u>99,036</u>	27,815	13,575	14,240
			<u>5,442,794</u>	<u>5,280,210</u>	<u>162,584</u>
			1,929,188	1,690,266	(238,922)
392,252	320,000	(72,252)			
279,387	390,984	111,597			
178,591	150,550	(28,041)			
42,448	221,400	178,952			
36,180	26,000	(10,180)			
7,977	10,000	2,023			
1,045,585	1,083,594	38,009	930,199	976,552	46,353
1,616,328	1,699,054	82,726	12		(12)
161,355	119,134	(42,221)	1,039,706	1,022,606	(17,100)
578,590	588,839	10,249	113,595	182,004	68,409
4,577		(4,577)	500,541	491,844	(8,697)
66,612	84,761	18,149	268,352	262,538	(5,814)
			325,821	403,053	77,232
			<u>245,707</u>	<u>402,655</u>	<u>156,948</u>
<u>4,409,882</u>	<u>4,694,316</u>	<u>284,434</u>	<u>5,353,121</u>	<u>5,431,518</u>	<u>78,397</u>
837,406	\$ 453,936	\$ 383,470	89,673	\$ (151,308)	\$ 240,981
962,747			<u>1,293,743</u>		
<u>\$ (125,341)</u>			<u>\$ (1,204,070)</u>		

SAN JUAN WATER DISTRICT

GENERAL GOVERNMENT REVENUES BY SOURCE

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Wholesale Revenue</u>	<u>Retail Revenue</u>	<u>Tax Assessments</u>	<u>Interest</u>	<u>Capital Contributions</u>	<u>Other</u>	<u>Total</u>
1995	\$ 2,471,619	\$ 3,305,070	\$ 1,792,476	\$ 910,207		\$ 272,962	\$ 8,752,334
1996	2,676,257	3,477,337	1,672,294	929,576		379,134	9,134,598
1997	2,816,910	3,431,213	1,189,336	722,964		1,096,094	9,256,517
1998	3,276,761	3,550,463	1,828,360	636,140		763,629	10,055,353
1999	3,254,137	3,694,302	1,708,231	569,211		664,465	9,890,346
2000	3,813,555	3,976,398	1,858,078	732,773		1,575,181	11,955,985
2001	4,138,122	4,200,142	2,060,674	989,359		1,594,961	12,983,258
2002	4,432,350	4,398,481	2,249,183	707,185		797,149	12,584,348
2003	4,721,626	4,940,654	2,141,859	474,741	\$ 382,314	764,022	13,425,216
2004	5,243,288	5,414,979	2,575,610	479,746	2,202,420	1,016,517	16,932,560

Source: Audited Financial Statements for fiscal years 1994-95 through 2003-2004.

SAN JUAN WATER DISTRICT

GENERAL GOVERNMENT EXPENSES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year	Source of Supply	Pumping, Telemetry, & Water Treatment	Transmission, Distribution & Engineering	Customer Service & Conservation	Administration & General	Depreciation	Interest	Miscellaneous	Total
1995	\$1,156,434	\$ 1,236,557	\$ 860,901	\$ 245,724	\$ 933,250	\$ 1,420,472	\$ 645,713	\$ 35,354	\$ 6,534,405
1996	1,259,289	1,306,287	784,430	315,054	999,559	1,439,553	701,917	30,172	6,836,261
1997	1,585,587	1,526,383	893,835	416,674	1,109,336	1,538,348	673,217	27,524	7,770,904
1998	1,698,368	1,337,045	943,440	483,410	1,182,401	1,691,509	636,985	36,932	8,010,090
1999	1,539,298	1,443,564	890,396	429,621	1,288,842	1,896,893	699,183	85,491	8,273,288
2000	1,981,908	1,595,388	906,030	443,279	1,450,288	2,037,142	636,991	94,574	9,145,600
2001	2,336,538	1,666,057	1,107,809	576,774	1,546,576	2,127,712	611,177	434,502	10,407,145
2002	2,404,478	2,000,727	1,304,187	775,462	1,935,654	2,067,503	543,956	409,581	11,441,548
2003	2,644,823	2,117,110	1,810,060	985,407	2,033,951	2,079,259	486,864	22,868	12,180,342
2004	2,866,023	2,308,525	1,526,882	840,080	1,975,784	2,256,490	1,134,404	124,709	13,032,897

Source: Audited Financial Statements for Fiscal Years 1994-95 through 2003-2004.



SAN JUAN WATER DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Percent of Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes to Levy</u>
1995	\$ 952,285	\$1,754,819	184.3%	-	\$1,754,819	184.3%	-	0.0%
1996	863,150	1,660,642	192.4%	-	1,660,642	192.4%	-	0.0%
1997	315,406	1,189,336	377.1%	-	1,189,336	377.1%	-	0.0%
1998	855,227	1,828,360	213.8%	-	1,828,360	213.8%	-	0.0%
1999	812,741	1,708,231	210.2%	-	1,708,231	210.2%	-	0.0%
2000	848,314	1,858,078	219.0%	-	1,858,078	219.0%	-	0.0%
2001	861,537	2,060,674	239.2%	-	2,060,674	239.2%	-	0.0%
2002	861,537	2,249,183	261.1%	-	2,249,183	261.1%	-	0.0%
2003	704,095	2,141,859	304.2%	-	2,141,859	304.2%	-	0.0%
2004	916,353	2,575,610	281.1%	-	2,575,610	281.1%	-	0.0%

Note: Total tax levy includes only tax revenue for bonded indebtedness

Source: Sacramento County Auditor-Controller Office  
Placer County Auditor-Controller Office

SAN JUAN WATER DISTRICT

ASSESSED VALUE OF TAXABLE PROPERTY  
(in thousands)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Total Assessed Value</u>
1995	\$ 7,525,122	\$ 214,628	\$ 7,739,750
1996	7,552,753	182,964	7,735,717
1997	7,649,395	183,256	7,832,651
1998	7,731,567	185,020	7,916,587
1999	8,163,896	194,067	8,357,963
2000	8,567,796	213,269	8,781,065
2001	9,142,049	195,485	9,337,534
2003	10,319,900	203,522	10,523,422
2002	10,792,241	205,675	10,997,916
2004	11,542,718	191,345	11,734,063

Source: County of Placer  
County of Sacramento

SAN JUAN WATER DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN  
(in thousands)

June 30, 2004

Assessed valuation	<u>\$ 11,734,063</u>
Debt limit - 1.25% of assessed value	\$ 146,676
Amount of debt applicable to debt limit: General obligation bonds	<u>                    </u>
Legal debt margin	<u>\$ 146,676</u>

Note: Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25% of full cash value to full cash value. Hence, the 5% limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code became 1.25% of assessed value.

Source: San Juan Water District's internal documents and financial statements.

SAN JUAN WATER DISTRICT  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 June 30, 2004

2003-04 Assessed Valuation:	\$ 12,000,579,561
Redevelopment Incremental Valuation:	<u>54,744,577</u>
Adjusted Assessed Valuation:	\$ 11,945,834,984

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt June 30, 2004</u>
Los Rios Community College District	9.184%	\$ 8,442,392
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	14.247	4,985,940
San Juan Unified School District	37.070	72,379,169
Placer Union High School	5.007	2,052,071
Roseville Joint Union High School District	20.600	8,050,456
Eureka Union School District	74.528	8,338,560
Loomis Union School District	21.609	1,807,593
Roseville City School District	0.929	389,351
City of Folsom	16.559	5,325,374
Sacramento Regional County Sanitation District	11.271	1,469,738
City of Folsom Assessment District No. 90-1	100.000	2,245,000
Placer County Water Agency, Zone No. 1	4.825	12,545
San Juan Water District	100.000	<u>980,000</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 116,478,189</b>
Less: City of Folsom self-supporting bonds		<u>14,075</u>
<b>TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 116,464,114</b>

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Sacramento County General Fund Obligations	10.903%	\$ 38,655,637
Sacramento County Pension Obligations	10.903	57,632,261
Sacramento County Board of Education Certificates of Participation	10.903	1,503,524
Placer County General Fund Obligations	9.912	2,458,672
Placer County Office of Education Certificates of Participation	9.912	307,272
Sierra Joint Community College District Certificates of Participation	7.167	305,673
Folsom-Cordova Unified School District Certificates of Participation	8.427	831,745
San Juan Unified School District Certificates of Participation	37.070	5,673,564
Roseville Joint Union High School District Certificates of Participation	20.600	1,556,330
Eureka Union School District Certificates of Participation	74.528	5,705,118
Other School District Certificates of Participation	Various	1,721,887
City of Folsom Certificates of Participation	16.559	3,349,886
City of Roseville Certificates of Participation	4.905	1,300,561
Fair Oaks Fire Protection District Certificates of Participation	100.000	2,890,000
Orangevale Recreation and Park District Certificates of Participation	99.963	<u>3,008,886</u>
<b>TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 126,901,016</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$ 243,379,205</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$ 243,365,130</b>

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003-04 Assessed Valuation:

Direct debt (\$980,000)	0.01%
Total Gross Direct and Overlapping Tax and Assessment Debt	0.97%
Total Net Direct and Overlapping Tax and Assessment Debt	0.97%
Gross Combined Total Debt	2.04%
Net Combined Total Debt	2.04%

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2004: \$0

Source: California Municipal Statistics, Inc.

SAN JUAN WATER DISTRICT

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (Thousands)</u>	<u>Gross Bonded Debt (1)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	149,100	\$ 7,525,122	\$ 7,540,000	\$1,025,000	\$6,515,000	0.87%	43.70
1996	151,300	7,552,753	6,985,000	1,107,512	5,877,488	0.78%	38.85
1997	153,600	7,649,395	6,400,000	1,628,938	4,771,062	0.62%	31.06
1998	156,000	7,731,567	5,980,000	1,561,352	4,418,648	0.57%	28.32
1999	162,000	8,163,896	5,245,000	1,619,332	3,625,668	0.44%	22.38
2000	162,000	8,567,796	4,455,000	1,082,847	3,372,153	0.39%	20.82
2001	163,000	9,142,049	3,645,000	1,094,144	2,550,856	0.28%	15.65
2002	185,000	10,319,900	2,785,000	1,284,900	1,500,100	0.15%	8.11
2003	188,400	10,792,241	1,905,000	903,541	1,001,459	0.09%	5.32
2004	181,584	11,542,718	980,000	1,178,958	0.00	0.00%	0.00

(1) Includes all long-term general obligation debts

Source: District Finance Department

SAN JUAN WATER DISTRICT

RATIO OF ANNUAL DEBT SERVICE EXPENSES FOR GENERAL  
BONDED DEBT TO TOTAL GENERAL EXPENSES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenses (Excluding Debt Service)</u>	<u>Ratio of Debt Service to Total General Expenses</u>
1995	\$ 834,810	\$ 645,713	\$ 1,480,523	\$ 5,888,692	25.1%
1996	860,300	701,917	1,562,217	6,134,344	25.5%
1997	900,511	673,217	1,573,728	7,097,687	22.2%
1998	951,357	636,985	1,588,342	7,373,105	21.5%
1999	1,071,925	699,183	1,771,108	7,574,105	23.4%
2000	1,142,520	636,991	1,779,511	8,508,609	20.9%
2001	1,178,148	611,177	1,789,325	9,476,781	18.9%
2002	1,245,127	543,956	1,789,083	10,897,592	16.4%
2003	1,283,006	486,864	1,769,870	11,693,478	15.1%
2004	1,713,934	1,134,404	2,848,338	11,898,493	23.9%

Source: District Finance Department

SAN JUAN WATER DISTRICT

PRINCIPAL TAXPAYERS

June 30, 2004

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation (1)</u>
Lyon Oak Creek LLC	Apartments	\$ 42,457,000	0.36%
Birdcage Properties Ltd.	Shopping Center	40,439,944	0.35
Demmon Family Partnership	Apartments	32,814,174	0.28
Folsom Ranch LLC	Apartments	30,536,492	0.26
Western Investment Real Estate Trust	Commercial Store	29,746,680	0.26
National Life & Accident Insurance Co.	Commercial Properties	28,641,382	0.25
FSC & Sacramento Associates LLC	Apartments	22,862,652	0.20
Pan Pacific LLC	Shopping Center	20,725,573	0.18
G.W. Williams Co.	Apartments	19,706,842	0.17
Betty A. Colwell 1998 Revocable Trust	Apartments	19,278,000	0.17
Menifee Tow Center LLC	Apartments	18,638,830	0.16
Madison & Sunrise Associates LLC	Shopping Center	18,487,516	0.16
Marshall Field Stores Inc. (Dayton Hudson Corp.)	Commercial Store	17,008,809	0.15
Muffrey Trust & Laurie Industries, Trust	Commercial Store	16,500,000	0.14
Hunting Square Limited LP	Apartments	16,126,200	0.14
Norbert Gehr	Apartments	14,681,834	0.13
WRI Golden State LLC	Commercial Store	13,656,791	0.12
Madison Hazel Apartments LP	Apartments	13,606,290	0.12
Sunsac Properties Corp. (Federated Dept. Stores Inc.)	Commercial Store	13,039,197	0.11
Suncreek Sacramento Apartments LLC	Apartments	<u>12,911,363</u>	<u>0.11</u>
Total		<u>\$ 441,865,569</u>	<u>3.79%</u>
Total Local Secured Assessed Valuations	FY 2003-04	<u>\$11,650,683,225</u>	<u>100.00%</u>

Source: California Municipal Statistics, Inc.

SAN JUAN WATER DISTRICT

MISCELLANEOUS STATISTICS

Date of Incorporation	1954
Form of Government	Community Service District
Area (Wholesale and Retail Service Areas)	Parts of South Placer County and Northeast Sacramento County
Water Services:	
Number of consumers (Population)	265,000
Average daily consumption	Average 70.48 million gallons per day
Annual consumption	5 year average 68,703 acre feet 10 year average 61,486 acre feet 15 year average 57,861 acre feet 20 year average 57,354 acre feet
Miles of water main (Retail Service Area)	203 miles
Water treatment plant	120 million gallons per day capacity
Personnel	43 regular and 1 temporary employees