



Rancho Murieta Community Services District
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2004



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Prepared by the Accounting and Management Information Services Department

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INTRODUCTORY SECTION

Letter of Transmittal

February 1, 2005

To the Honorable President and Members of the Board of Directors and Customers of the Rancho Murieta Community Services District:

State law requires that all general-purpose local governments publish 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. The Comprehensive Annual Financial Report (CAFR) of the Rancho Murieta Community Services District (District) for fiscal year ended June 30, 2004, is hereby submitted as required. Moss, Levy and Hartzheim, a firm of licensed certified public accountants has audited the Rancho Murieta Community Services District's financial statements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Rancho Murieta Community Services District for the fiscal year ended June 30, 2004, are free of 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 Rancho Murieta Community Services 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.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's organizational chart, and a list of elected officials and principal administrative staff. The financial section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the District's overall changes in financial positions, the audited basic financial statements note disclosures, and combining and non-major fund financial statements to provide readers with a comprehensive understanding of the District's financial activities of the past fiscal year. The statistical section includes rate information and various graphs. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Rancho Murieta Community Services District's MD&A can be found immediately following the report by the independent auditors.

Profile of the District

Rancho Murieta Community Services District was formed in 1982 under State Government Code 61000 to provide essential services in Rancho Murieta. The District is an independent special district which provides the following services:

- Water supply collection, treatment, and distribution
- Wastewater collection, treatment, and reuse
- Storm drainage collection, disposal, and flood control
- Security

The District encompasses 3,500 acres, five and a half square miles. Land uses included in the approved master plan call for residential development on 1,981 acres of single-family residences, townhouses, apartments, and mobile homes for a total of 5,189 units.

Governance

The affairs of the District are directed by a five member Board of Directors elected at large by the registered voters residing in the District. The people who are elected are residents and have the same concerns as residents. The board members serve four-year staggered terms. The District board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the District's manager. The District's manager is responsible for carrying out the policies and ordinances of the District board, for overseeing the day-to-day operations of the District, and for appointing the heads for the various departments.

Mission Statement

The mission of Rancho Murieta Community Services District is to take a leadership role in responding to the needs of the residents. The District will deliver superior community services efficiently and professionally at a reasonable cost while responding to and sustaining the enhanced quality of life the community desires.

Population

Highlights from the Census 2000 demographic profiles show total population in Rancho Murieta at 4,193, with the median age being 49.4 years. The average household size is 2.35. Current estimates indicate Rancho Murieta has 2,400 households with a population of over 5,600.

Latent Powers

In June of 1982, after local registered voters petitioned the County and public hearings were held, the voters approved the formation of the Rancho Murieta Community Services District (CSD or District), and elected five directors. The election resulted in voter approval for CSD to provide:

Police protection/security services, road construction and maintenance, landscape maintenance, drainage construction and maintenance, public recreation and street lighting.

Subsequently, the voters authorized the CSD to provide all municipal services authorized in the California Government Code, as well as some special services authorized by the legislature. Those services approved by the voters of Rancho Murieta include:

Fire protection, ambulance, libraries, mosquito abatement, airports, garbage or refuse, transportation services, water and sewer, conversion of existing overhead electric and communication facilities to underground locations, construction improvements of bridges, culverts, curbs, gutters, drains and works incidental to road construction and maintenance.

Later special legislation expanded the District's latent powers to include:

Television and television related services, burglar, and fire alarm facilities, issuance of revenue bonds, enforcement of CC&R's (Covenants, Conditions, and Restrictions), hydroelectric power generating facilities and transmission lines.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Rancho Murieta Community Services District operates.

Local Economy

The District is located within Sacramento County in the Central Valley of California and extends from the Delta of the Sacramento and San Joaquin Rivers to the lower range of the foothills of the Sierra Nevada Mountains. Sacramento County is unique in the State in that less than one-half of all county residents live in an urban unincorporated area and receives municipal services from the County and special districts rather than from cities as is typical in most urban areas in the State.

According to Sacramento County, local economic conditions appear to be improving. The real estate market remains very robust with high levels of both new home construction and home resales. Taxable sales are increasing. However, the State of California continues to face budget problems that could have an impact on local government revenues.

Property Tax Revenue

In the early 1990s, there was a deep recession – the State passed much of its budget problem off to local governments in the form of property tax shifts from counties, cities

and special districts to schools, enabling the State to reduce its school funding commitments.

The total secured assessed valuation of the properties within the District's service area increased 11.6% in 2003-04 to \$711.5 million. Property Taxes and miscellaneous tax collections allocated from Sacramento County increased by 11% in 2003-04 to \$434,031. The District currently allocates annual property tax revenues received between the following funds; Water 38.9%, Wastewater 29.5%, Drainage 6.5% and Security 25.1%.

Due to the State of California's record budget deficit, the District expects to lose 81% of its property tax revenue estimated at \$311,000 per year for at two years, starting in Fiscal Year 2004-05.

Measure J & K

In June 1998, voters approved Measures J & K to comply with the constitutional amendment, Proposition 218. Measure J funds Security services and Measure K funds Drainage services. These "special taxes" are collected along with water and sewer charges on the regular CSD monthly billing statement.

Long Term Financial Planning

The Board of Directors elected to map out the District's future through a facilitated strategic planning process in the Fall of 2003. The purpose was to find ways of assuring that the community's needs in all areas would continue to be met in the future, effectively and efficiently. A product of the completed strategic plan was a list of specific action items that identified work responsibilities and targeted schedules. One of those action items is a Financial Master Plan. The District has many of the components of a Financial Master Plan, but desires to combine those separate components into a single master plan document that will portray in clear form the complete financial situation of the agency.

In addition, the District currently maintains over \$36,000,000 in plant, property, and equipment assets. As such, the District adopted Reserve Policy 2004-01, a financial policy guided by sound accounting principles of public fund management. The policy establishes several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses.

The following reserves are covered under the policy:

- *Capital Replacement Fee Reserve* (Water, Sewer and Security) – fees are collected for the future replacement of existing facilities and major equipment
- *Capital Improvement Fee Reserve* – provide funds for the orderly and timely expansion of the District's facilities to meet future demand and to maintain and/or improve the District's existing level of service
- *Water Augmentation Fee Reserve* – provides funds for the orderly and timely expansion of the District's water supply system to meet future demands of the

undeveloped lands within the District's existing boundaries during an equivalent 1976-77 drought event

- *Capital Improvement Connection Fee Reserve* (Water and Sewer) - fees previously collected as a primary source of funds for the development of additional water and wastewater capacity and is set at a level which will defray the costs of providing additional: treatment and/or reclamation facilities, major trunk and transmission pipelines and facilities for pumping when such facilities are needed
- *Rate Stabilization Fund Reserve* (Water, Sewer and Security) – offsets revenue shortages due to economic hardships and/or unforeseen major expenses

Internal Controls

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Cash Management Policies and Practices

The District's Investment Policy 2004-02 is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

- 1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- 2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- 3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Debt Management

In August of 1986, the District formed *Improvement District No. 1* for the purpose of acquiring certain sewer facilities and expanding its existing water treatment plant. In order to finance this expansion, assessment bonds, totaling \$19,000,000, were issued under the “Improvement Bond Act” of 1915. Security for the \$19,000,000 is in the form of levies assessed against the properties owned by the property owners within the Rancho Murieta Community Services District. The Assessment is added as a line item to the property tax bills of owners of land within the ID and collected by the County of Sacramento. No funds of the District were utilized to acquire, repair, or construct these facilities and no funds of the District are to be used to pay bond principal and interest.

On March 1, 1991, the District formed the *Community Facilities District No. 1* for the purpose of financing the design, construction, and acquisition of additional water and sewer treatment facilities within the boundaries of Rancho Murieta. To finance the projects, special tax bonds were issued in the amount of \$12,925,000. In August 2002, the special tax bonds were refunded in the amount of \$8,760,000. As a result of the refunding, ratepayers realized a reduction in their annual tax installments of approximately 33%. Security for the \$8,760,000 is in the form of levies assessed against the properties owned by the property owners within the Rancho Murieta Community Services District. The Special Tax is added as a line item to the property tax bills of owners of land within the CFD and collected by the County of Sacramento. No funds of the District were utilized to acquire, repair, or construct these facilities and no funds of the District are to be used to pay bond principal and interest.

Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Section 6500 *et seq.* and provides a full-service risk management program for California's local governments. SDRMA provides comprehensive property, liability and workers' compensation protection to the District.

Pension and other postemployment benefits

The District's defined benefit pension plan with the California Public Employees' Retirement System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits participants to defer a portion of their salary until future years. The deferred

compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, are maintained in a trust.

The District provides post-employment benefit options for healthcare to eligible retirees and their dependents. The benefits are provided in accordance with the District's policy. The District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay a set premium for a portion of the cost with the District subsidizing the balance. There are 14 participants currently eligible.

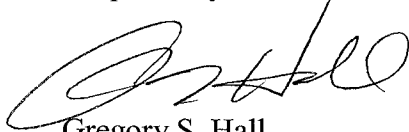
Independent Audit

The Government Code requires an annual audit of the District's financial records by a Certified Public Accountant. The District selected, through a competitive bid process, the firm of Moss, Levy and Hartzheim to conduct the audit. The auditor report on the financial statements and schedules are included in the financial section of this report.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Administration Department and the cooperation and assistance of all District departments. We would like to commend the Board of Directors for its interest, support, and leadership in planning and conducting the financial operations of the District in a responsive and progressive manner.

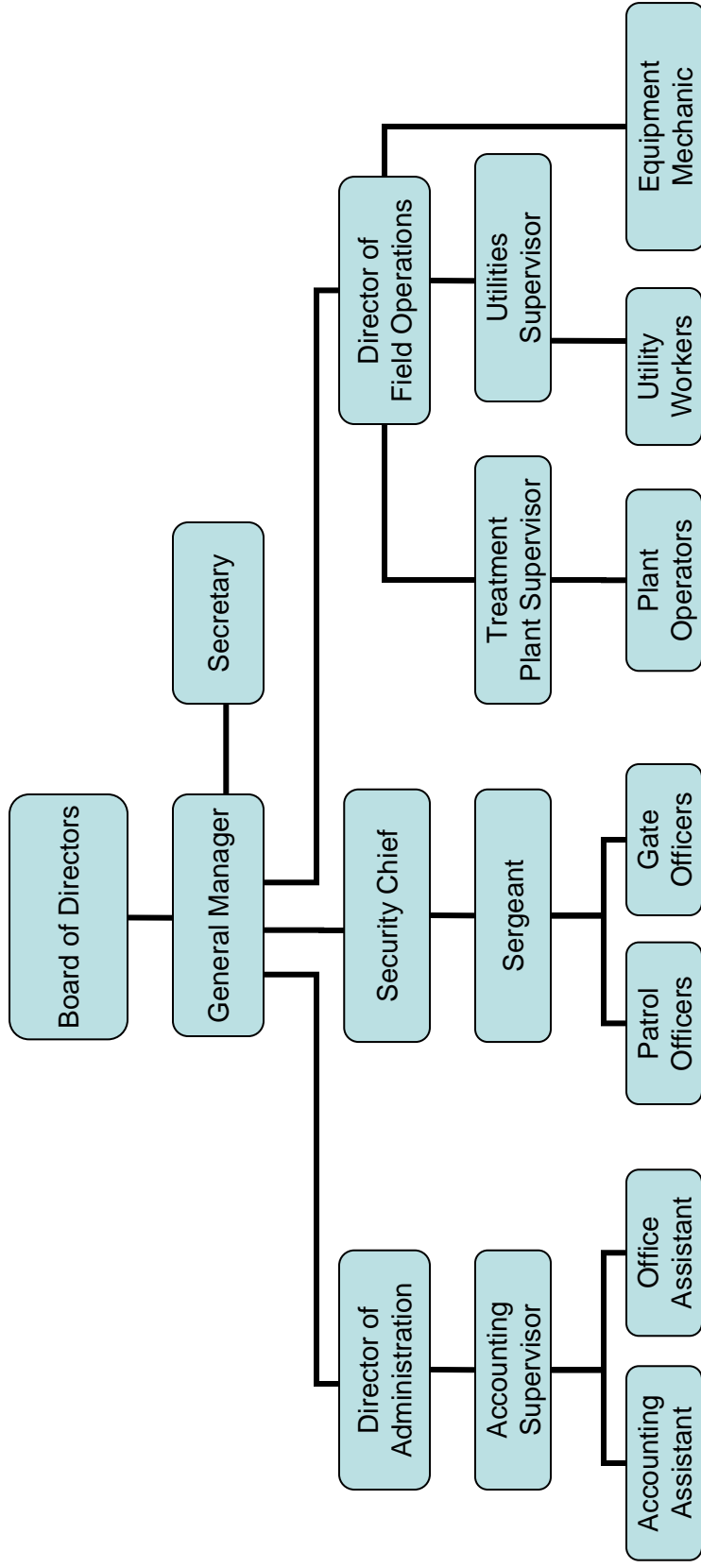
Respectfully submitted,



Gregory S. Hall
Director of Administration/Finance Officer

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Organizational Chart



List of Elected Officials and Principal Administrative Staff

June 30, 2004

Elected Officials

Board President Wayne Kuntz
Board Vice-President Mary Brennan
Board Director John Merchant
Board Director Dick Taylor
Board Director William White

Principal Administrative Staff

General Manager..... Edward Crouse
Director of Administration Gregory Hall
Director of Field Operations Joe Majarucon
Security Chief James Noller

FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM

Certified Public Accountants

4740 NORTHGATE BLVD., SUITE 160

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MEMBER
AMERICAN INSTITUTE OF C.P.A.S
CALIFORNIA SOCIETY OF C.P.A.S
CALIFORNIA SOCIETY OF
MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES
BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA
SACRAMENTO, CALIFORNIA

HADLEY HUI, C.P.A.
PAUL NIEDERMULLER, C.P.A.
KARAN POHL, C.P.A.

*DENOTES PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rancho Murieta Community Services District
Rancho Murieta, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the fiduciary fund of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statement, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

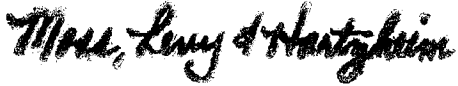
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the fiduciary fund of the Rancho Murieta Community Services District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 (O) to the basic financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The information identified in the accompanying table of contents as management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, and Security Funds, and the Schedule of Changes in Restricted Net Assets listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Rancho Murieta Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

MOSS, LEVY & HARTZHEIM, C.P.A.s

A handwritten signature in black ink that reads "Moss, Levy & Hartzheim". The signature is written in a cursive, slightly slanted style.

September 29, 2004

Management's Discussion and Analysis

As management of the Rancho Murieta Community Services District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-8 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$33,994,392 (net assets). Of this amount, \$767,288 (unrestricted net assets) may be used to meet the District's ongoing obligation to customers and creditors.
- The District's total net assets decreased by \$317,505. Almost all of this decrease is the net result of reduced capital contributions from developer funded projects.
- The District's overall unrestricted cash & investments were reduced as a result of an additional contribution in the amount of \$500,000 to the water and sewer replacement reserve programs.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some

items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 20-23 of this report.

Fund financial statements. The accounts of the District are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in these general-purpose financial statements into two broad categories which in aggregate, include two fund types as follows:

PROPRIETARY FUND TYPE

Enterprise Funds

Enterprise Funds are used to account for operations (a) 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 and special taxes; and (b) 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 purposes. Revenues are fully accrued to include unbilled services at fiscal year end.

FIDUCIARY FUND TYPE

Agency Funds

Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental, and/or other funds.

The basic governmental fund financial statements can be found on pages 24-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 43 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$33,994,392 (net assets) at the close of the most recent fiscal year.

Condensed Financial Information

Rancho Murieta Community Services District Net Assets

	June 30, 2004	June 30, 2003	Dollar Change	% Change
ASSETS				
Cash & Investments	\$ 644,338	\$ 1,749,222	\$ (1,104,884)	(63.16%)
Accounts Receivable	291,112	265,882	25,230	9.49%
Interest Receivable	1,521	6,012	(4,491)	(74.70%)
Prepaid Expenses	104,189	1,314	102,875	7829.15%
Capital Assets, Net Accum Depr	24,279,664	24,745,966	(466,302)	(1.88%)
Cash & Investments, Restricted	8,900,853	7,839,698	1,061,155	13.54%
Interest Receivable, Restricted	46,587	34,574	12,013	34.75%
Total Assets	<u>\$ 34,268,264</u>	<u>\$ 34,642,668</u>	<u>\$ (374,404)</u>	<u>(1.08%)</u>
LIABILITIES				
Accounts Payable	\$ 94,188	\$ 141,982	\$ (47,794)	(33.66%)
Accrued Payroll	59,491	44,922	14,569	32.43%
Deposits	67,501	92,312	(24,811)	(26.88%)
Compensated Absences	52,692	51,555	1,137	2.21%
Total Liabilities	<u>\$ 273,872</u>	<u>\$ 330,771</u>	<u>\$ (56,899)</u>	<u>(17.20%)</u>
NET ASSETS				
Investment in Capital Assets	\$ 24,279,664	\$ 24,745,966	\$ (466,302)	(1.88%)
Restricted Net Assets	8,947,440	7,874,272	1,073,168	13.63%
Unrestricted Net Assets	767,288	1,691,659	(924,371)	(54.64%)
Total Net Assets	<u>\$ 33,994,392</u>	<u>\$ 34,311,897</u>	<u>\$ (317,505)</u>	<u>(0.93%)</u>

The District's total net assets decreased by \$317,505 or less than 1%. Almost all of this decrease is the net result of reduced capital contributions from developer funded projects.

The District's overall cash & investments (unrestricted) were reduced as a result of an additional contribution in the amount of \$250,000 to the water replacement reserve program and \$250,000 to the sewer replacement reserve program. This also reduced unrestricted net assets. In addition, the operating loss increased over the prior year by \$437,509 or 35%.

By far the largest portion of the District's net assets (71 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). No debt was used to acquire those assets; however, some assets are from contributed capital. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

Enterprise-type activities – Water, Sewer, Security and Drainage

Rancho Murieta Community Services District's Changes in Net Assets

	June 30, 2004	June 30, 2003	Dollar Change	% Change
Operating Revenue				
Service Charges	\$ 1,390,012	\$ 1,280,489	\$ 109,523	8.55%
Special Taxes	906,257	893,927	12,330	1.38%
Other Charges	165,253	147,708	17,545	11.88%
Total Operating Income	\$ 2,461,522	\$ 2,322,124	\$ 139,398	6.00%
Operating Expenses				
Source of Supply	\$ 164,818	\$ 70,450	\$ 94,368	133.95%
Treatment	199,127	149,912	49,215	32.83%
Transmission & Distribution	203,541	216,754	(13,213)	(6.10)%
Sewer Collection	140,063	87,220	52,843	60.59%
Sewer Treatment & Disposal	320,834	264,640	56,194	21.23%
Storm Drainage	119,866	110,843	9,023	8.14%
Gate Services	336,953	300,198	36,755	12.24%
Patrol Services	309,936	305,120	4,816	1.58%
General & Administrative	1,394,047	1,149,036	245,011	21.32%
Depreciation	963,978	922,083	41,895	4.54%
Total Operating Expenses	\$ 4,153,163	\$ 3,576,256	\$ 576,907	16.13%
Operating Loss	\$ (1,691,641)	\$ (1,254,132)	\$ (437,509)	34.89%
Non Operating Income (Expenses)				
Taxes	\$ 434,031	\$ 390,608	\$ 43,423	11.12%
Capital Reserve Fees	472,208	441,451	30,757	6.97%
Interest Revenue	100,738	224,873	(124,135)	(55.20)%
Rent	3,000	3,000	-	0.00%
Water Augmentation	295,773	221,388	74,385	33.60%
Gain on sale of disposal assets	6,122	1,128	4,994	442.73%
Miscellaneous	39,975	78,641	(38,666)	(49.17)%
Net Non-Operating Rev (Exp)	\$ 1,351,847	\$ 1,361,089	\$ (9,242)	(0.68)%
Income (Loss) before Capital Contr	\$ (339,794)	\$ 106,957	\$ (446,751)	(417.69)%
Capital Contributions	\$ 22,289	\$ 476,682	(454,393)	(95.32)%
Change in Net Assets	\$ (317,505)	\$ 583,639	\$ (901,144)	(154.40)%
Net Assets, Beginning Fiscal Yr	\$ 34,311,897	\$ 33,728,258	\$ 583,639	1.73%
Net Assets, Ending Fiscal Yr	\$ 33,994,392	\$ 34,311,897	\$ (317,505)	(0.93)%

Key elements of the enterprise activities are as follows:

- Overall operating revenues increased by \$139,398 or 6.0 percent. Water service charges increased by \$91,534 or 12.3 percent resulting from increases in customers and water usage. Sewer service charges increased by \$17,989 or 3.4 percent for new customers. Security and Drainage special taxes increased by \$12,330 or 1.4 percent. Other charges also increased by \$17,545 or 11.9 percent.
- The Water, Sewer and Drainage departments share employees and their wages and employer costs (including benefits) are allocated based on actual time worked in specific functions. Operating expenses for Water, Sewer and Drainage increased overall by \$248,430 or 27.6 percent due to the following:
Water department; equipment rental expenses for Lake Chesbro aquatic cleanup totaling \$32,831 offset by reserve transfers, various maintenance repairs offset by reserve transfers of \$13,480, and fee increases for dam inspections by the Department of Water Resources. Legal and consulting also increased due to consulting services for Director of Field Operations including an interim consultant and candidate search firm.
Sewer department; permit fees increased, maintenance and repairs increased due to lift station pump repairs, spare pump replacements and expenses related to the chlorine contract piping project. Legal and consulting also increased due to consulting services for Director of Field Operations including interim consultant and candidate search firm.
Drainage department; additional time spent on ditch cleaning and improvements and chemical applications were used to control pests in Laguna Joaquin.
- The Security department provides gate and patrol services. Gate services increased by \$36,755 or 12.2 percent. Patrol services increased by \$4,816 or 1.6 percent.
- The Administration department covers the remaining staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. However, all general administration type costs relating to the Water, Sewer, Drainage and Security departments are combined with the administration department on the Statement of Revenues, Expenses, and Changes in Net Assets and shown as General and administrative costs.
- Taxes (Property taxes) increased by \$43,423 or 11.1 percent.
- Capital Reserve Fees and Water Augmentation Fees increased by \$105,142 or 15.9 percent. The Capital Reserve Fees are a combination of several reserve fees collected during the year including Water and Sewer Replacement Reserves and the Capital Improvement Reserves.
- Interest revenue decreased by \$124,135 because of an overall reduction in market interest rates. This includes \$89,868 of interest earned on reserve funds which is credited to the proper reserve account.

Capital Asset and Debt Administration

	July 1, 2003	Additions	Deletions	June 30, 2004
Depreciable Capital Assets				
Water Transmission	\$ 5,831,147	\$ 65,189	\$ -	\$ 5,896,336
Gen Plant Admin Facilities	531,760			531,760
Water Treatment Facilities	9,416,122	22,289		9,438,411
Collection Facilities	3,873,485			3,873,485
Sewer Treatment Facilities	15,358,735	195,145		15,553,880
Vehicles & Equipment	1,688,634	219,786	(83,608)	1,824,812
Total Depr Cap Assets	<u>36,699,883</u>	<u>502,409</u>	<u>(83,608)</u>	<u>37,118,684</u>
Less - Accum Depreciation	<u>(12,045,607)</u>	<u>(963,978)</u>	<u>78,875</u>	<u>(12,930,710)</u>
Net Depr Cap Assets	<u>24,654,276</u>	<u>(461,569)</u>	<u>(4,733)</u>	<u>24,187,974</u>
Nondepreciable Capital Assets				
Land	<u>91,690</u>	<u>-</u>	<u>-</u>	<u>91,690</u>
Total NonDepr Cap Assets	<u>91,690</u>	<u>-</u>	<u>-</u>	<u>91,690</u>
Net Capital Assets	<u>\$ 24,745,966</u>	<u>\$ (461,569)</u>	<u>\$ (4,733)</u>	<u>\$ 24,279,664</u>

Capital Assets. The District's investment in capital assets as of June 30, 2004, amounts to \$24,279,664 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 1.9 percent.

Major capital asset events during the current fiscal year included the following:

- The purchase of two Variable Frequency Drives (pumps) for the Rio Oso water pump station.
- Completion of the EQ Basin Project (Chlorine contact process at the wastewater treatment plant).
- Completion of the Equipment Storage Facility at the wastewater treatment plant.
- The purchase of five new vehicles – three for the water/sewer department and two for the security department.
- The purchase of laptop computers for the Board of Directors and management staff for the implementation of cost saving measures related to electronic meeting packets. The payback is less than five years. The District received an Honorable Mention Award in September 2004 from the California Special Districts Association's (CSDA) Innovative Award Program.

Requests for Information

This financial report is designed to provide a general overview of the Rancho Murieta Community Services District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rancho Murieta Community Services District, Director of Administration, PO Box 1050, Rancho Murieta, CA, 95683.

BASIC FINANCIAL STATEMENTS

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Activities
For the Fiscal Year Ended June 30, 2004
(With Comparative Totals for the Fiscal Year Ended June 30, 2003)**

		Program Revenues	
	Expenses	Charges for Services	Capital Contributions and Grants
Business-type activities:			
Water	\$ 1,630,068	\$ 923,103	\$ 545,927
Sewer	1,381,702	585,318	244,343
Drainage	174,407	143,772	
Security	966,986	809,329	
	<u>\$ 4,153,163</u>	<u>\$ 2,461,522</u>	<u>\$ 790,270</u>

General Revenues
Taxes:
Property taxes
Investment income
Gain on sale of capital assets
Other
Total general revenues
Change in net assets
Net assets at beginning of fiscal year
Net assets at end of fiscal year

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

Net (Expense) Revenue
and Changes in
Net Assets

2004	2003
\$ (161,038)	\$ 298,531
(552,041)	(419,728)
(30,635)	(16,836)
(157,657)	23,422
(901,371)	(114,611)
434,031	390,608
100,738	224,873
6,122	1,128
42,975	81,641
583,866	698,250
(317,505)	583,639
34,311,897	33,728,258
\$ 33,994,392	\$ 34,311,897

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Net Assets - Proprietary Funds

June 30, 2004

(With Comparative Totals for June 30, 2003)

	<u>Assets</u>	<u>Enterprise Funds</u>		
		<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Drainage Fund</u>
Current Assets				
Cash and investments		\$ 251,802	\$ 268,890	\$ 111,586
Accounts receivable		130,056	67,777	14,025
Interest receivable		591	449	99
Prepaid expenses		40,672	30,464	6,712
Total Current Assets		<u>423,121</u>	<u>367,580</u>	<u>132,422</u>
Capital Assets - net of accumulated depreciation		<u>10,184,161</u>	<u>13,850,330</u>	
Other Assets				
Cash and investments - restricted		5,017,296	3,632,596	
Interest receivable - restricted		24,691	20,964	
Total Other Assets		<u>5,041,987</u>	<u>3,653,560</u>	
Total Assets		<u>15,649,269</u>	<u>17,871,470</u>	<u>132,422</u>
	<u>Liabilities</u>			
Current Liabilities				
Accounts payable		46,574	32,741	3,369
Accrued payroll		23,142	17,550	3,867
Deposits		67,501		
Total Current Liabilities		<u>137,217</u>	<u>50,291</u>	<u>7,236</u>
Noncurrent Liabilities				
Compensated absences		<u>14,113</u>	<u>10,683</u>	<u>1,522</u>
Total Liabilities		<u>151,330</u>	<u>60,974</u>	<u>8,758</u>
	<u>Net Assets</u>			
Net Assets				
Invested in capital assets, net of related debt		10,184,161	13,850,330	
Net Assets				
Restricted		5,041,987	3,653,560	
Unrestricted		271,791	306,606	123,664
Total Net Assets		<u>\$ 15,497,939</u>	<u>\$ 17,810,496</u>	<u>\$ 123,664</u>

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

Security Fund	Totals	
	2004	2003
\$ 12,060	\$ 644,338	\$ 1,749,222
79,254	291,112	265,882
382	1,521	6,012
26,341	104,189	1,314
118,037	1,041,160	2,022,430
245,173	24,279,664	24,745,966
250,961	8,900,853	7,839,698
932	46,587	34,574
251,893	8,947,440	7,874,272
615,103	34,268,264	34,642,668
11,504	94,188	141,982
14,932	59,491	44,922
	67,501	92,312
26,436	221,180	279,216
26,374	52,692	51,555
52,810	273,872	330,771
245,173	24,279,664	24,745,966
251,893	8,947,440	7,874,272
65,227	767,288	1,691,659
<u>\$ 562,293</u>	<u>\$ 33,994,392</u>	<u>\$ 34,311,897</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenses, and Changes in Net Asset
Proprietary Funds**

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Security Fund
Operating Revenues				
Service charges	\$ 837,836	\$ 552,176	\$ -	\$ -
Special taxes			142,050	764,207
Other charges	85,267	33,142	1,722	45,122
Total Operating Revenues	<u>923,103</u>	<u>585,318</u>	<u>143,772</u>	<u>809,329</u>
Operating Expenses				
Source of supply	164,818			
Treatment	199,127			
Transmission and distribution	203,541			
Sewer collection		140,063		
Sewer treatment and disposal		320,834		
Drainage			119,866	
Gate services				336,953
Patrol services				309,936
General and administrative	652,881	400,904	54,541	285,721
Depreciation	409,701	519,901		34,376
Total Operating Expenses	<u>1,630,068</u>	<u>1,381,702</u>	<u>174,407</u>	<u>966,986</u>
Operating Loss	<u>(706,965)</u>	<u>(796,384)</u>	<u>(30,635)</u>	<u>(157,657)</u>
Non-Operating Revenues (Expenses)				
Taxes	168,838	128,039	28,212	108,942
Capital reserve fees	227,865	244,343		
Interest revenue	86,162	10,198	790	3,588
Rent		3,000		
Water augmentation	295,773			
Gain on sale of capital assets	4,200			1,922
Miscellaneous	12,257	7,612	3,455	16,651
Net Non-Operating Revenues (Expenses)	<u>795,095</u>	<u>393,192</u>	<u>32,457</u>	<u>131,103</u>
Income (Loss) Before Capital Contributions	88,130	(403,192)	1,822	(26,554)
Capital Contributions	22,289			
Change in Net Assets	<u>110,419</u>	<u>(403,192)</u>	<u>1,822</u>	<u>(26,554)</u>
Net Assets, Beginning of Fiscal Year	<u>15,387,520</u>	<u>18,213,688</u>	<u>121,842</u>	<u>588,847</u>
Net Assets, End of Fiscal Year	<u>\$ 15,497,939</u>	<u>\$ 17,810,496</u>	<u>\$ 123,664</u>	<u>\$ 562,293</u>

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

Totals	
2004	2003
\$ 1,390,012	\$ 1,280,489
906,257	893,927
165,253	147,708
<u>2,461,522</u>	<u>2,322,124</u>
164,818	70,450
199,127	149,912
203,541	216,754
140,063	87,220
320,834	264,640
119,866	110,843
336,953	300,198
309,936	305,120
1,394,047	1,149,036
963,978	922,083
<u>4,153,163</u>	<u>3,576,256</u>
<u>(1,691,641)</u>	<u>(1,254,132)</u>
434,031	390,608
472,208	441,451
100,738	224,873
3,000	3,000
295,773	221,388
6,122	1,128
39,975	78,641
<u>1,351,847</u>	<u>1,361,089</u>
(339,794)	106,957
22,289	476,682
<u>(317,505)</u>	<u>583,639</u>
<u>34,311,897</u>	<u>33,728,258</u>
<u>\$ 33,994,392</u>	<u>\$ 34,311,897</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Security Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 901,124	\$ 583,164	\$ 143,072	\$ 808,932
Payments to employees	(525,809)	(290,583)	(88,597)	(750,379)
Payments to suppliers	(756,074)	(634,591)	(95,415)	(207,511)
Net Cash Provided (Used) by Operating Activities	<u>(380,759)</u>	<u>(342,010)</u>	<u>(40,940)</u>	<u>(148,958)</u>
Cash Flows from Non-capital Financing Activities				
Taxes received	168,838	128,039	28,212	108,942
Rent		3,000		
Miscellaneous	12,257	7,612	3,455	16,651
Net Cash Provided (Used) by Non-capital Financing Activities	<u>181,095</u>	<u>138,651</u>	<u>31,667</u>	<u>125,593</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(183,083)	(260,884)		(58,442)
Proceeds from sale of capital assets	4,200			6,655
Developer contributions	22,289			
Capital reserve fees	227,865	244,343		
Water augmentation	295,773			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>367,044</u>	<u>(16,541)</u>		<u>(51,787)</u>
Cash Flows from Investing Activities				
Interest received	81,543	6,116	1,082	4,475
Net Cash Provided (Used) by Investing Activities	<u>81,543</u>	<u>6,116</u>	<u>1,082</u>	<u>4,475</u>
Net Increase (Decrease) in Cash and Cash Equivalents	248,923	(213,784)	(8,191)	(70,677)
Cash and Cash Equivalents, July 1,	5,020,175	4,115,270	119,777	333,698
Cash and Cash Equivalents, June 30,	<u>\$ 5,269,098</u>	<u>\$ 3,901,486</u>	<u>\$ 111,586</u>	<u>\$ 263,021</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and investments	\$ 251,802	\$ 268,890	\$ 111,586	\$ 12,060
Restricted cash and investments	5,017,296	3,632,596		250,961
Total Cash and Cash Equivalents	<u>\$ 5,269,098</u>	<u>\$ 3,901,486</u>	<u>\$ 111,586</u>	<u>\$ 263,021</u>

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

Totals

2004	2003
\$ 2,436,292	\$ 2,319,980
(1,655,368)	(1,495,112)
(1,693,591)	(1,263,677)
(912,667)	(438,809)
434,031	390,608
3,000	3,000
39,975	78,641
477,006	472,249
(502,409)	(918,467)
10,855	1,128
22,289	476,682
472,208	441,451
295,773	221,388
298,716	222,182
93,216	243,660
93,216	243,660
(43,729)	499,282
9,588,920	9,089,638
\$ 9,545,191	\$ 9,588,920
\$ 644,338	\$ 1,749,222
8,900,853	7,839,698
\$ 9,545,191	\$ 9,588,920

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2004
(With Comparative Totals for the Fiscal Year Ended June 30, 2003)**

	Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (706,965)	\$ (796,384)	\$ (30,635)
Noncash items included in operating loss			
Depreciation	409,701	519,901	
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	(21,979)	(2,154)	(700)
Prepaid expenses	(40,019)	(30,348)	(6,686)
Increase (decrease) in operating liabilities			
Accounts payable	(3,642)	(38,306)	(4,276)
Accrued payroll	5,667	4,298	947
Customer deposits	(24,811)		
Compensated absences	1,289	983	410
Net Cash Provided (Used) by Operating Activities	<u>\$ (380,759)</u>	<u>\$ (342,010)</u>	<u>\$ (40,940)</u>

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

Security Fund	Totals	
	2004	2003
\$ (157,657)	\$ (1,691,641)	\$ (1,254,132)
34,376	963,978	922,083
(397)	(25,230)	(2,144)
(25,822)	(102,875)	279
(1,570)	(47,794)	(138,870)
3,657	14,569	4,806
	(24,811)	24,479
(1,545)	1,137	4,690
<u>\$ (148,958)</u>	<u>\$ (912,667)</u>	<u>\$ (438,809)</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Fiduciary Net Assets

Agency Funds

June 30, 2004

	<u>Agency Funds</u>
	<u>Assets</u>
Current Assets	
Cash and investments	\$ 5,971,378
Accounts receivable	15,556
	<u>5,986,934</u>
Total Current Assets	5,986,934
Assessments receivable	24,060
	<u>24,060</u>
Total Other Assets	24,060
	<u>6,010,994</u>
Total Assets	6,010,994
	<u>Liabilities and Net Assets</u>
Current Liabilities	
Accounts payable	312
Deposits	38,421
Due to others	5,972,261
	<u>6,010,994</u>
Total Current Liabilities	6,010,994
Net Assets	<u>\$ -</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2004

Note 1: Summary of Significant Accounting Policies

The Rancho Murieta Community Services District (District) was formed in 1982, under California State Government Code 61600 and currently provides water, sewer, drainage, and security service throughout the Rancho Murieta Community. The District's financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District.

The accounting policies of the Rancho Murieta Community Services District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management had considered all potential component units in the reporting entity by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following entities have been included within the reporting entity as blended component units:

Special Assessment Districts – The two special assessment districts are the Community Facilities District No. 1 and the Improvement District No. 1. These Special Assessment Districts were created for the purposes of acquiring and constructing water and sewer facilities within the Rancho Murieta boundaries. The District is not obligated to repay the debt of these two Special Assessment Districts but functions as an agent for the property owners by collecting assessments, forwarding collections to special debt holders, and, if appropriate, begin foreclosures on delinquent property owners. Because of the special financing relationships, the Community Facilities District No. 1 and the Improvement District No. 1 have been included in the fiduciary fund type.

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-Exchange revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government – Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2004

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

These statements require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, charges for services, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category - *proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses. Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains two fiduciary funds. The fiduciary fund uses the "*economic resources*" investment focus and the accrual basis of accounting.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies (Continued)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The District may also select other funds it believes should be presented as major funds. The District reports all its proprietary funds as major funds.

The District reported the following major proprietary funds:

Water

This fund accounts for the activities of providing water to the residents of the District.

Sewer

This fund accounts for the activities of collecting wastewater of the residents of the District.

Drainage

This fund accounts for the activities of providing drainage to the residents of the District.

Security

This fund accounts for the activities of providing security to the residents of the District.

D. Basis of Accounting

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide financial statements and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

E. Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following April 1. The budgets are used as a management tool and are not a legal requirement.

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2004**

Note 1: Summary of Significant Accounting Policies (Continued)

G. Comparative Data

Comparative total data for the prior fiscal year have been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position, operations, and cash flows. Certain amounts presented in the prior fiscal year data have been reclassified in order to be consistent with the current fiscal year.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted amounts in demand deposits as well as short-term investments with maturity date three months or less from the date of acquisition. Amounts held in the State of California Local Agency Investment Fund (LAIF) are considered to be cash and cash equivalents due to their highly liquid nature.

I. Property Taxes

Secured property taxes are levied on January 1 and are payable in two installments on November 1 and February 1, which become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Sacramento County (County) bills and collects the property taxes and allocates a portion to the District. Property tax revenues are recognized in the fiscal year for which they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The District is under the Teeter Plan and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

J. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The District's policy is to capitalize all capital assets with costs exceeding \$1,000.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

Buildings	40	Years
Improvements	20-50	Years
Equipment	5-15	Years

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2004

K. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. Sick leave benefits are not vested to the employee.

L. Net Assets

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets

M. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, are maintained in a trust. Participants have sole rights under the plan in an amount equal to the fair value of the deferred account for each participant.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make assumptions that affect the reported amounts of assets and liabilities, 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.

O. New Accounting Pronouncements

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in financial reporting in over twenty years and are scheduled for a phased implementation (based on size of government) starting with fiscal year ending 2002.

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds, and deletes various note disclosures requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2004**

Note 2: Cash and Investments

The captions on the statement of net assets related to cash and investments, restricted and unrestricted, are as follows:

Cash and investments	\$ 644,338
Restricted cash and investments	<u>8,900,853</u>
Cash and investments, Statement of Net Assets	9,545,191
Cash and investments, Statement of Fiduciary Net Assets	<u>5,971,378</u>
 Total cash and investments	 <u>\$ 15,516,569</u>

Credit Risk, Carrying Amount, and Fair Value

Cash is classified in three categories of credit risk as follows:

- Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the District's name; and
- Category 3 - uncollateralized.

Deposits

All deposits are entirely insured or collateralized. The California Government Code requires California's banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a district's deposits. California's law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits.

The District may waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC).

At June 30, 2004, the carrying amount of the District's deposits was \$278,976. The bank's balance was \$289,047. This difference is due to the normal deposits in transit and outstanding checks. The District's cash deposits by category as of June 30, 2004, are as follows:

	<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Bank accounts	<u>\$ 169,870</u>	<u>\$ 119,177</u>	<u>\$ -</u>	<u>\$ 289,047</u>	<u>\$ 278,976</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2004**

The District held \$250 in petty cash at June 30, 2004.

Investments

The District had segregated its pooled cash investments into two categories: restricted and unrestricted. Restricted investments represents funds that are reserved for the development of additional water capacity, for future major repairs, replacement of the District's equipment and facilities, for District improvements, for user rate stabilization, and for Agency funds.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the Statement of Net Assets and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Investments made by the District at June 30, 2004, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below.

- Category 1 - Insured or registered, with securities held by the District or its agent in the District's name;
- Category 2 - uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name; and
- Category 3 - uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

Investments managed by other governments or in mutual funds are not required to be categorized.

	Category			Fair Value/ Carrying Amount
	1	2	3	
U.S. Treasury Bills	\$ 1,790,166	\$ -	\$ -	\$ 1,790,166
Local Agency Investment Fund	N/A	N/A	N/A	7,323,199
Money Market	N/A	N/A	N/A	4,159,449
US Government Securities	<u>1,964,529</u>			<u>1,964,529</u>
Total Investments	<u>\$ 3,754,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,237,343</u>

The Local Agency Investment Fund and money market funds are not considered to be categorized investments in accordance with GASB Statement No. 3.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2004**

Note 3: Capital Assets

Capital Assets at June 30, 2004, consists of the following:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Depreciable capital assets				
Water Transmission	\$ 5,831,147	\$ 65,189	\$ -	\$ 5,896,336
General plant administration facilities	531,760			531,760
Water treatment facilities	9,416,122	22,289		9,438,411
Collection facilities	3,873,485			3,873,485
Sewer treatment facilities	15,358,735	195,145		15,553,880
Vehicles and equipment	<u>1,688,634</u>	<u>219,786</u>	<u>(83,608)</u>	<u>1,824,812</u>
Total depreciable capital assets	36,699,883	502,409	(83,608)	37,118,684
Less - accumulated depreciation	<u>(12,045,607)</u>	<u>(963,978)</u>	<u>78,875</u>	<u>(12,930,710)</u>
Net depreciable capital assets	<u>24,654,276</u>	<u>(461,569)</u>	<u>(4,733)</u>	<u>24,187,974</u>
Nondepreciable capital assets				
Land	<u>91,690</u>			<u>91,690</u>
Total nondepreciable capital assets	<u>91,690</u>			<u>91,690</u>
Net Capital assets	<u>\$ 24,745,966</u>	<u>\$ (461,569)</u>	<u>\$ (4,733)</u>	<u>\$ 24,279,664</u>

Note 4: Long-Term Debt

Long-term liabilities activity for the fiscal year ended June 30, 2004, was as follows:

Business-type activities:	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 51,555	\$ 1,137	\$ -	\$ 52,692	\$ -
Business-type activity					
Long-term liabilities	<u>\$ 51,555</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 52,692</u>	<u>\$ -</u>

Note 5: Net Assets

Net Assets are the excess of all the District's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB statement No. 34. These captions apply only to net assets, which is determined at the government-wide level, proprietary funds, and fiduciary funds and are described below.

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include connection fees received for use on capital projects and debt service requirements.

Unrestricted describes the portion of net assets which is not restricted as to use.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2004**

Note 6: Defined Benefit Pension Plan

A. Plan Description

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

Note 5: Defined Benefit Pension Plan (Continued)

B. Funding Policy

Active plan members in the District's defined pension plan are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003/04 was 7.34%. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2003/04, the District's annual pension cost was \$73,920 and the District actually contributed \$73,920. The required contribution for fiscal year 2003/04 was determined as part of the June 30, 2001, actuarial valuation using entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members, and (c) .25% merit adjustment. Both (a) and (b) include an inflation component of 3.5%.

The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002, was 7 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>	<u>Net Pension Obligation</u>
06/30/02	\$ 70,608	100%	\$ -
06/30/03	74,263	100%	-
06/30/04	73,920	100%	-

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2004**

Note 6: Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

Required Supplementary Information
Funded Status of Miscellaneous Plan

Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
06/30/00	\$2,002,107	\$2,859,920	\$(857,813)	142.8%	\$ 941,143	(91.1)%
06/30/01	2,437,076	2,984,566	(547,490)	122.5%	961,957	(56.9)%
06/30/02	2,764,056	2,858,219	(94,163)	103.4%	988,364	(9.5)%

Note 7: Post Employment Benefits

The District provides post-employment benefit options for healthcare to eligible retirees and their dependents. The benefits are provided in accordance with the District’s policy. The District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay a set premium for a portion of the cost with the District subsidizing the balance. During fiscal year 2004, \$66,913 of expenses were recognized for post-employment retirement benefits. There are 14 participants currently eligible.

Note 8: Special Assessments Districts

The Rancho Murieta Community Services District’s Board and management are responsible for the administration of the Improvement District (Improvement District No. 1) formed under the “Municipal Improvement Act of 1915” and the Community Facilities District (Community Facilities District No. 1) formed under the provisions of Mello-Roos. The District is not obligated to repay the special assessment debt of either of these special assessment debt holders.

The amount of special assessment debt at June 30, 2004, is:

Improvement District No. 1	\$ 3,690,000
Community Facilities District No. 1	<u>8,270,000</u>
Total Special Assessment Debt	<u>\$ 11,960,000</u>

Separate audited financial statements have been issued for these assessment districts.

Note 9: Contingent Liabilities

Various claims have been filed against the District. In the opinion of the District’s management and legal counsel, the claims will not have a material impact on the basic financial statements.

Note 10: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the District’s ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to voter initiative process and may be rescinded in the future years by the voters

SUPPLEMENTAL SECTION

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Water Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Service Charges		
Water sales - residential	\$ 727,787	\$ 658,596
Water sales - commercial	98,787	77,149
Water availability charges	1,870	2,660
Water sales - other	<u>9,392</u>	<u>7,897</u>
Total Service Charges	<u>837,836</u>	<u>746,302</u>
Other Charges		
Water telephone line contracts	3,834	3,300
Meter installation fees	39,200	38,400
District project charges	12,694	824
Late charges	6,961	6,727
Water inspection fees	12,270	12,144
Transfer fees	<u>10,308</u>	<u>12,176</u>
Total Other Charges	<u>85,267</u>	<u>73,571</u>
Total Operating Revenues	<u>\$ 923,103</u>	<u>\$ 819,873</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Source of Supply		
Wages and salaries	\$ 18,899	\$ 21,584
Maintenance and repairs	17,421	2,081
Purchased power	39,343	34,428
Dam inspection costs	56,589	10,672
Supplies	338	1,349
Equipment rental	<u>32,228</u>	<u>336</u>
Total Source of Supply	<u>164,818</u>	<u>70,450</u>
Treatment		
Wages and salaries		
Purchased power	58,205	58,858
Chemicals	64,797	54,113
Maintenance and repairs	44,780	22,431
Supplies	27,268	10,730
Equipment rental	1,443	554
Miscellaneous	2,509	2,499
	<u>125</u>	<u>727</u>
Total Treatment	<u>199,127</u>	<u>149,912</u>
Transmission and Distribution		
Wages and salaries	103,155	109,417
Water meters	38,376	28,800
Maintenance and repairs	14,110	42,146
Purchased power	16,560	12,008
Lab tests	13,229	6,931
Equipment rental	14,955	14,874
Supplies	<u>3,156</u>	<u>2,578</u>
Total Transmission and Distribution	<u>203,541</u>	<u>216,754</u>
General and Administrative		
Wages and salaries	181,948	174,205
Employer costs	<u>170,558</u>	<u>144,948</u>
Subtotal General and Administrative	<u>352,506</u>	<u>319,153</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Water Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Subtotal General and Administrative	\$ 352,506	\$ 319,153
Communications	34,782	30,913
Maintenance and repairs	10,739	22,770
Insurance	22,670	19,362
Permits	19,525	8,953
Supplies	15,632	16,551
Directors' meeting and expenses	14,144	12,025
Legal and audit	53,770	14,674
Clerical services		12,164
Training and safety	25,506	13,381
Vehicle expenses	17,918	10,850
Tools	4,754	8,336
Sacramento Water Authority	11,559	5,575
Miscellaneous	10,349	10,317
Postage	5,340	5,751
Travel and meetings	4,344	4,072
Consulting services	5,000	1,237
Dues and memberships	2,358	2,404
Uniforms	3,557	3,337
Purchased power	2,371	2,124
Contingency	17,917	5,696
Equipment lease	1,887	1,027
Bad debts	52	765
Janitorial and pest control	7,252	1,230
CIA ditch operations	8,949	6,895
	<u>652,881</u>	<u>539,562</u>
Total General and Administrative		
Depreciation	<u>409,701</u>	<u>403,631</u>
Total Operating Expenses	<u>\$ 1,630,068</u>	<u>\$ 1,380,309</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Sewer Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Service Charges		
Sewer service - residential	\$ 537,049	\$ 518,724
Sewer service - commercial	13,087	12,523
Sewer availability charges	<u>2,040</u>	<u>2,940</u>
Total Service Charges	<u>552,176</u>	<u>534,187</u>
Other Charges		
Sewer inspection fees	12,397	12,144
District project charges	5,967	
Late charges	6,961	6,727
Transfer fees	<u>7,817</u>	<u>9,233</u>
Total Other Charges	<u>33,142</u>	<u>28,104</u>
Total Operating Revenues	<u>\$ 585,318</u>	<u>\$ 562,291</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Sewer Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Collections		
Wages and salaries	\$ 38,487	\$ 33,277
Employer costs	16,870	12,528
Maintenance and repairs	57,396	7,155
Purchased power	12,651	11,857
Equipment rental	10,506	16,539
Supplies	3,375	2,233
Miscellaneous	778	3,631
Total Collections	<u>140,063</u>	<u>87,220</u>
Treatment and Disposal		
Purchased power	84,663	53,683
Chemicals	50,758	29,637
Wages and salaries	69,625	40,759
Employer costs	30,189	15,660
Lab tests	36,742	24,907
Maintenance and repairs	44,749	89,098
Supplies	3,343	556
Equipment rental	740	10,265
Miscellaneous	25	75
Total Treatment and Disposal	<u>320,834</u>	<u>264,640</u>
General and Administrative		
Wages and salaries	98,962	88,971
Employer costs	41,731	34,452
Communications	26,703	23,213
Maintenance and repairs	17,886	30,191
Insurance	17,192	14,683
Vehicle expenses	14,684	17,129
Supplies	13,216	13,077
Directors' meetings and expenses	10,727	9,119
Legal and audit	48,393	10,691
Training and safety	17,719	12,091
Clerical services		9,225
Permits	37,766	11,845
Miscellaneous	9,897	7,747
Postage	4,050	4,361
Tools	6,678	8,606
Subtotal General and Administrative	<u>365,604</u>	<u>295,401</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Sewer Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Subtotal General and Administrative	\$ 365,604	\$ 295,401
Travel and meetings	3,798	3,459
Consulting	3,792	938
Uniforms	3,291	2,896
Dues and memberships	1,788	1,596
Purchased power	1,798	1,611
Bad debts	52	541
Janitorial and pest control	5,763	1,080
Contingency	13,587	4,319
Equipment lease	1,431	779
	<u>400,904</u>	<u>312,620</u>
Depreciation	<u>519,901</u>	<u>494,903</u>
Total Operating Expenses	<u><u>\$ 1,381,702</u></u>	<u><u>\$ 1,159,383</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Drainage Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Special Taxes		
Drainage service - residential	\$ 122,874	\$ 120,409
Drainage service - commercial	<u>19,176</u>	<u>18,573</u>
Total Special Taxes	<u>142,050</u>	<u>138,982</u>
Other Charges		
Transfer fees	<u>1,722</u>	<u>2,034</u>
Total Other Charges	<u>1,722</u>	<u>2,034</u>
Total Operating Revenues	<u><u>\$ 143,772</u></u>	<u><u>\$ 141,016</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Drainage Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Drainage		
Wages and salaries	\$ 40,884	\$ 30,852
Maintenance and repairs	21,434	32,302
Purchased power	15,003	12,808
Employer costs	18,916	10,556
Equipment rental	12,074	15,072
Chemicals	10,524	8,319
Miscellaneous	<u>1,031</u>	<u>934</u>
Total Drainage	<u>119,866</u>	<u>110,843</u>
General and Administrative		
Wages and salaries	21,419	18,350
Employer costs	8,735	6,432
Communications	5,019	2,445
Insurance	3,788	3,235
Maintenance and repairs	1,082	3,708
Vehicle expenses	226	
Directors' meetings and expenses	2,363	2,009
Clerical services		2,033
Office supplies	1,302	1,869
Legal and audit	2,924	2,090
Bad debts	121	167
Postage	892	961
Consulting services	836	207
Miscellaneous	687	552
Travel and meetings	377	508
Memberships	394	352
Training and safety	671	612
Purchased power	396	355
Contingency	2,994	952
Equipment lease	<u>315</u>	<u>172</u>
Total General and Administrative	<u>54,541</u>	<u>47,009</u>
Total Operating Expenses	<u>\$ 174,407</u>	<u>\$ 157,852</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Security Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Special Taxes		
Security service - residential	\$ 673,787	\$ 666,374
Security service - commercial	<u>90,420</u>	<u>88,571</u>
Total Special Taxes	<u>764,207</u>	<u>754,945</u>
Other Charges		
Late charges	13,907	13,455
Transfer fees	19,901	22,256
Fines and permits	3,200	3,245
Special events	2,194	1,713
Other	<u>5,920</u>	<u>3,330</u>
Total Other Charges	<u>45,122</u>	<u>43,999</u>
Total Operating Revenues	<u><u>\$ 809,329</u></u>	<u><u>\$ 798,944</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Security Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Gate Services		
Wages and salaries	\$ 199,439	\$ 202,703
Employer costs	116,603	81,417
Miscellaneous	2,352	2,280
Equipment repairs and maintenance	4,948	1,902
Supplies	535	3,771
Communications	6,771	2,519
Janitor and pest control	2,314	2,490
Purchased power	2,196	2,054
Uniforms	<u>1,795</u>	<u>1,062</u>
Total Gate Services	<u>336,953</u>	<u>300,198</u>
Patrol Services		
Wages and salaries	183,987	197,334
Employer costs	92,572	81,417
Vehicle fuel	9,637	6,965
Off-duty sheriff patrol	3,333	6,615
Vehicle maintenance	7,303	3,941
Uniforms	1,701	1,291
Miscellaneous	8,177	1,231
Cellular phone	1,147	1,841
Equipment repairs and maintenance	1,291	3,795
Janitor and pest control	<u>788</u>	<u>690</u>
Total Patrol Services	<u>309,936</u>	<u>305,120</u>
General and Administrative		
Wages and salaries	115,256	100,180
Employer costs	44,634	40,708
Insurance	19,528	17,429
Legal and audit	31,152	18,252
Supplies	7,895	10,114
Directors' meetings and expenses	9,127	7,759
Training and safety	3,442	3,332
Consulting	3,226	798
Purchased power	<u>1,530</u>	<u>1,371</u>
Subtotal General and Administrative	<u>235,790</u>	<u>199,943</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Security Fund

For the Fiscal Year Ended June 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Subtotal General and Administrative	\$ 235,790	\$ 199,943
Communications	20,572	11,439
Equipment repairs and maintenance	4,584	15,429
Clerical services		7,849
Postage	3,446	3,711
Bad debts	355	287
Travel and meetings	1,431	2,057
Miscellaneous	4,371	3,434
Memberships	1,522	1,358
Contingency	11,561	3,675
Equipment lease	1,218	663
Vehicle expenses	871	
	<u>285,721</u>	<u>249,845</u>
Total General and Administrative		
Depreciation	<u>34,376</u>	<u>23,549</u>
Total Operating Expenses	<u><u>\$ 966,986</u></u>	<u><u>\$ 878,712</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Changes in Restricted Net Assets
For the Fiscal Year Ended June 30, 2004**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Security Fund</u>	<u>Totals</u>
Balances, July 1, 2003	\$ 4,048,359	\$ 2,764,825	\$ 201,302	\$ 7,014,486
Additions:				
Capital improvement fees	343,153	630,275		973,428
Water augmentation fees	295,773			295,773
Capital replacement fees	436,151	513,670	46,475	996,296
Allocation of interest earned on reserved funds	82,809	4,487	4,116	91,412
Deletions:				
Expenditures for major repairs, improvements, and capital replacements	<u>(164,258)</u>	<u>(259,697)</u>		<u>(423,955)</u>
Balances, June 30, 2004	<u>\$ 5,041,987</u>	<u>\$ 3,653,560</u>	<u>\$ 251,893</u>	<u>\$ 8,947,440</u>

STATISTICAL SECTION

Rates and Special Taxes

Water Rates

	<i>Operating Budget 2003-04</i>	<i>Replacement Reserve Included in Rates</i>	<i>Adopted Rates 2003-04</i>
Residential Monthly Rates			
Water Base	9.78	5.54	15.32
Water Variable for any usage	0.0078		0.0078
Commercial Monthly			
Water Base	9.78	5.54	15.32
Water Variable for any usage	0.0078		0.0078
Untreated Water			
RMA delivery by CIA	172.50	5.54	178.04
RMA delivery by Laguna Joaquin (usage)	0.0010		0.0010
RMTC delivery by CIA	172.50	5.54	178.04
RMCC delivery by Bass Lake	287.50	5.54	293.04

Sewer Rates

	<i>Operating Budget 2003-04</i>	<i>Replacement Reserve Included in Rates</i>	<i>Adopted Rates 2003-04</i>
Residential Monthly Rates			
Sewer Base	20.00	6.31	26.31
Commercial Monthly			
Sewer per tie-in	20.00	6.31	26.31
Sewer-Equine Complex	74.05	6.31	80.36
Sewer-Training Center	216.20	6.31	222.51

**Rancho Murieta Community Services District
Security Special Tax Rates for Fiscal Year Budget 2003-2004**

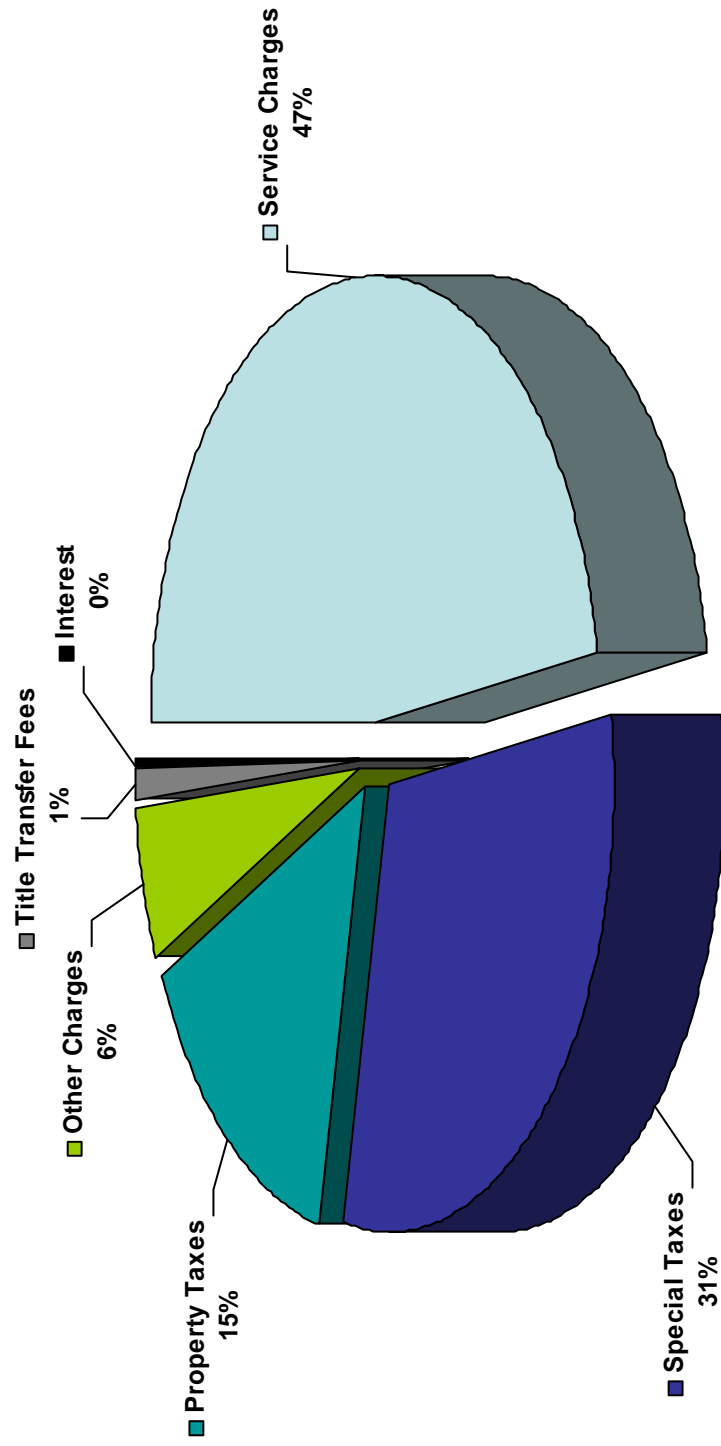
SECURITY LAND USE		2003-04 Maximum Special Tax Rates Maximum ceiling rates	Adopted Monthly Special Tax Rates Fiscal Year 2003-04
DEVELOPED PROPERTY		Maximum ceiling rates increased 2%	
Residential			
Inside Gates			
- <i>Metered</i>	Per Lot	\$21.66	\$18.00
- <i>Unmetered</i>	Per Lot	\$17.33	\$12.48
Outside Gates	Per Lot	\$5.22	\$4.00
Non-Residential			
1 - <i>Highway Retail</i>	Per Building Sq.Ft.	\$0.195	\$0.1391
2 - <i>Other Retail/Commercial</i>	"	\$0.021	\$0.0166
3 - <i>Industrial/Warehouse/Lt Industrial</i>	"	\$0.046	\$0.0325
4 - <i>Office</i>	"	\$0.011	\$0.0087
5 - <i>Institutional</i>	"	\$0.011	\$0.0087
6 - <i>Public Utility</i>	"	\$0.035	\$0.0238
7 - <i>Equine Complex</i>	"	\$0.003	\$0.0023
8 - <i>RMCC</i>	"	\$0.055	\$0.0397
9 - <i>Airport</i>	"	\$0.014	\$0.0111
UNDEVELOPED PROPERTY			
Inside Gates	Per Acre	\$18.32	\$13.190
Outside Gates	Per Acre	\$2.73	\$1.970

Rancho Murieta Community Services District
Drainage Special Tax Rates for Fiscal Year Budget 2003-2004

DRAINAGE LAND USE		2003-04 Maximum Special Tax Rates Maximum ceiling rates	Adopted Monthly Special Tax Rates Fiscal Year 2003-04
DEVELOPED PROPERTY		Maximum ceiling rates increased 2%	
Residential			
<i>Metered Developed</i>	Per Lot	\$3.80	\$3.45
<i>Unmetered Developed</i>	Per Lot	\$3.80	\$3.45
<i>The Villas</i>	Per Lot	\$2.55	\$2.30
<i>Murieta Village</i>	Per Lot	\$2.55	\$2.30
Non Residential			
1 <i>Retail</i>	Per Acre	\$19.080	\$17.28
2 <i>Industrial/Warehouse</i>	"	\$20.271	\$18.36
3 <i>Light Industrial</i>	"	\$15.501	\$14.04
4 <i>Office</i>	"	\$17.886	\$16.20
5 <i>Landscaped Areas (golf course & park site)</i>	"	\$3.577	\$3.24
6 <i>Equine Complex</i>	"	\$1.381	\$1.25
7 <i>RMCC (Club house and parking)</i>	"	\$0.000	\$0.00
8 <i>Airport</i>	"	\$1.590	\$1.44
9 <i>Geyer Property</i>	"	\$11.924	\$10.80
UNDEVELOPED PROPERTY			
- Uses Drainage System			
Residential & Non-Residential	Per Acre	\$2.247	\$2.16
- Does Not Use Drainage System			
Rancho Murieta LLC Lakeview	"	\$0.00	\$0.00
PTF N of Cosumnes	"	\$0.00	\$0.00

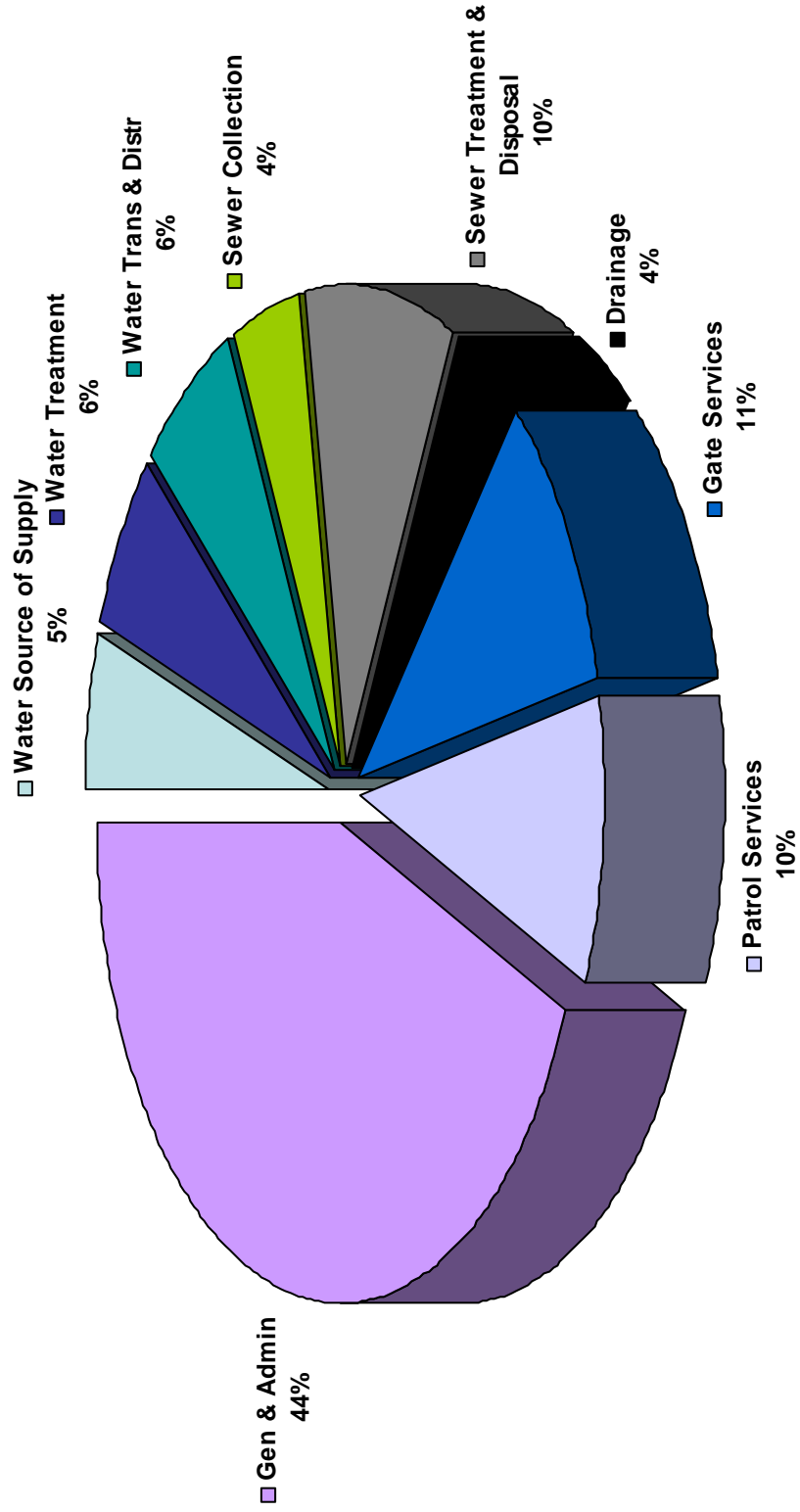
Revenue by Source

2003-04

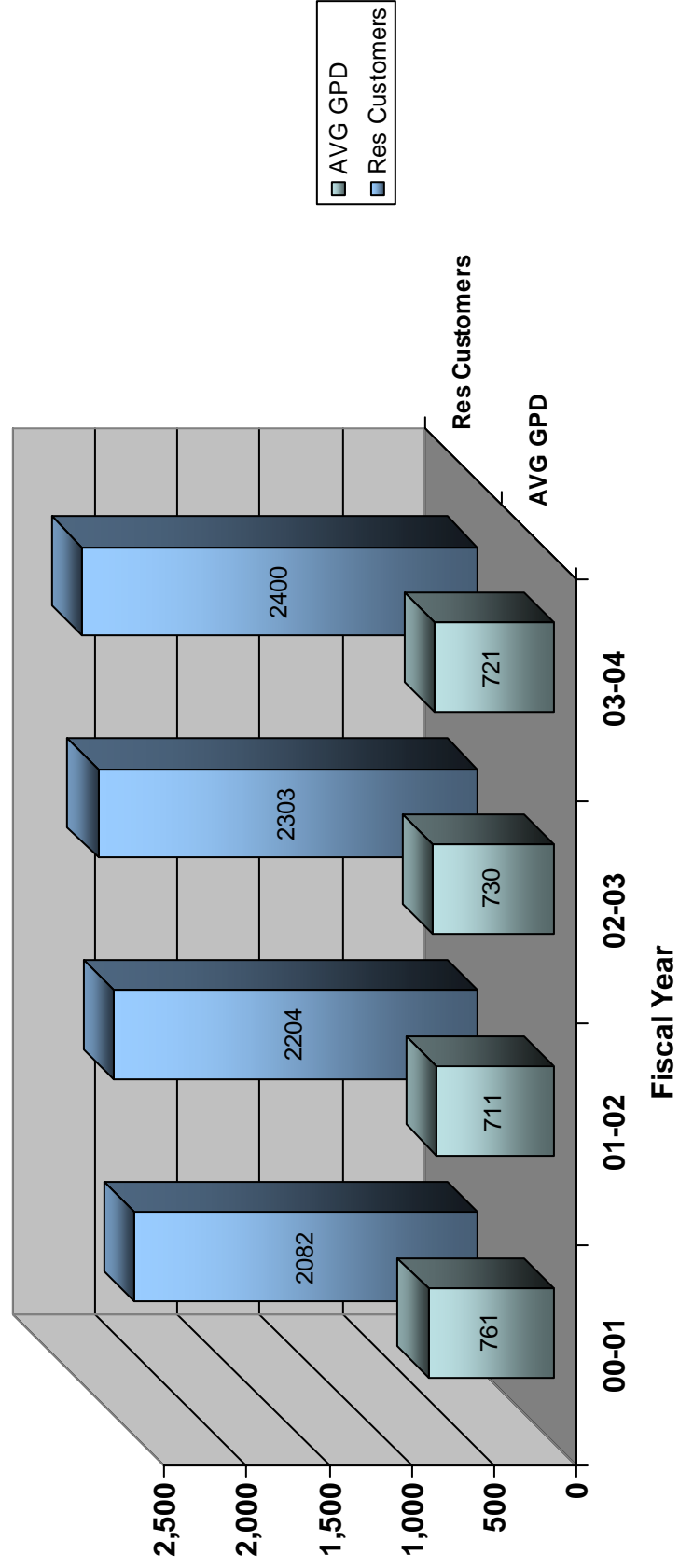


Expenses by Type

2003-04



Residential Customers vs AVG GPD



District Wages and Employer Costs 2003-04

