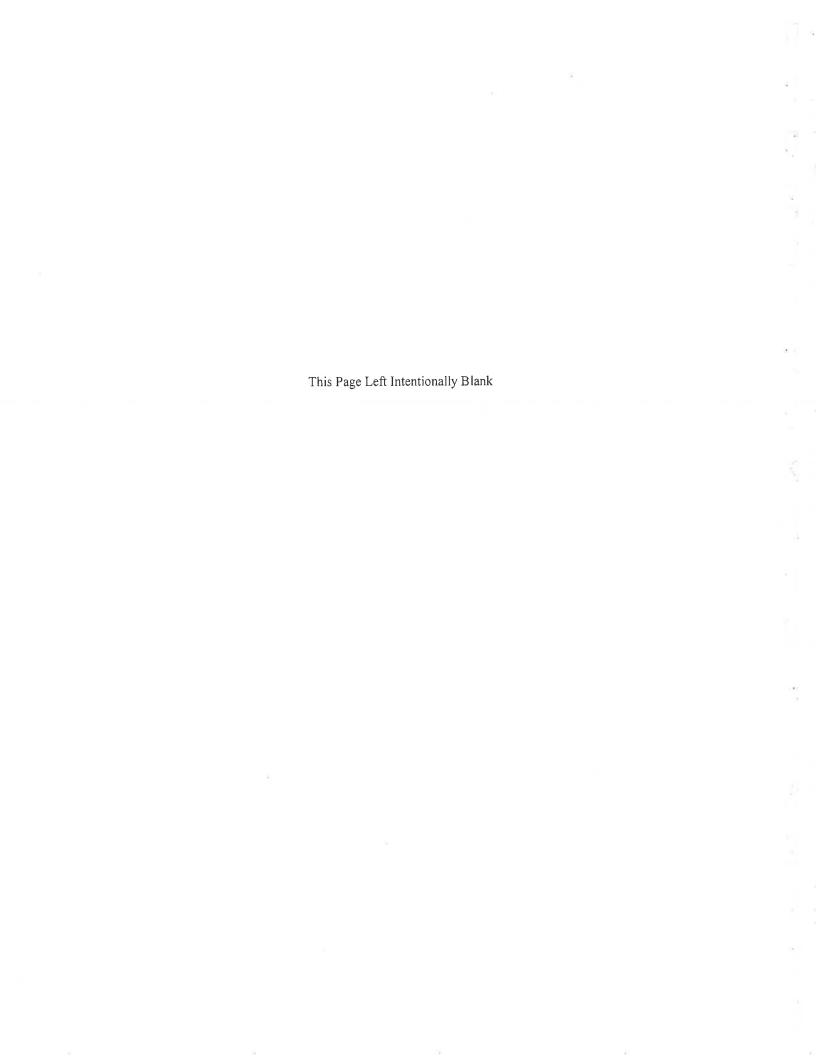
SOUTH PLACER WASTEWATER AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003



SOUTH PLACER WASTEWATER AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

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ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Members of the Board of the South Placer Wastewater Authority Roseville, California

We have audited the financial statements of the South Placer Wastewater Authority, as of and for the year ended June 30, 2003, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

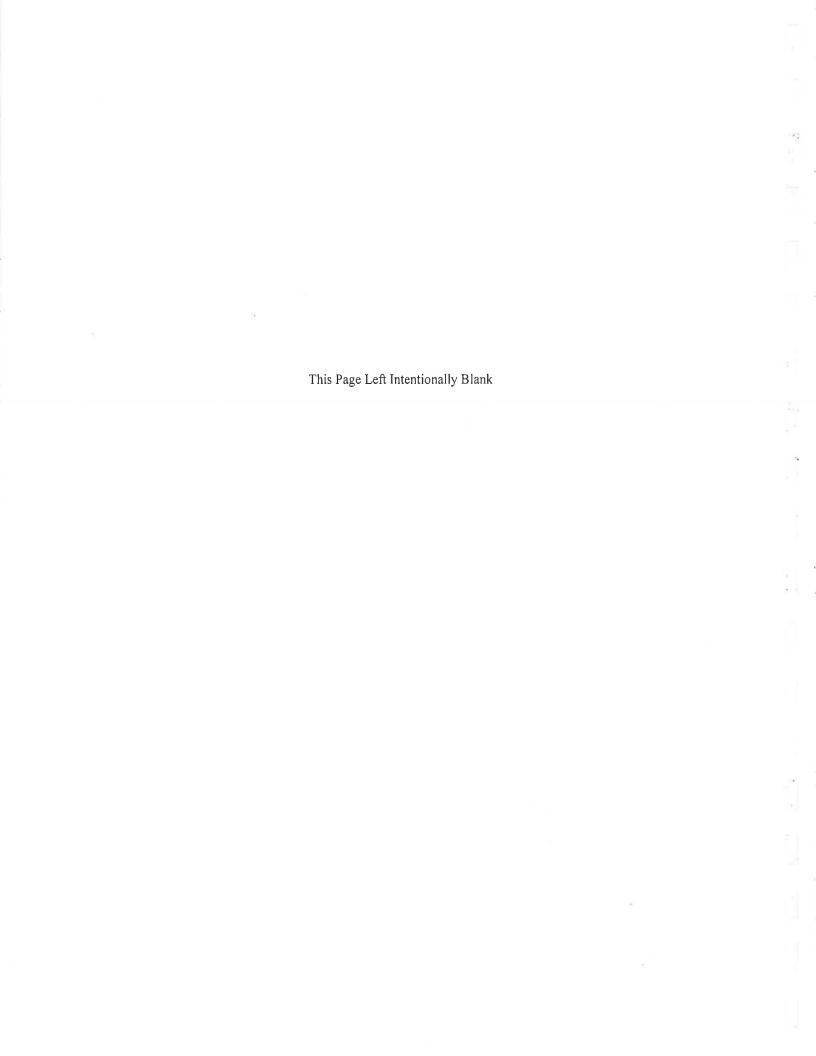
In our opinion the basic financial statements referred to above present fairly in all material respects the financial position of the South Placer Wastewater Authority at June 30, 2003, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the Unites States of America.

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 accompanying supplementary financial information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze & Associated

January 22, 2004



SOUTH PLACER WASTEWATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

THE AUTHORITY

The Authority is a regional joint venture created by the City of Roseville, Placer County and South Placer Municipal Utilities District (the Members) to finance the construction of the Pleasant Grove Wastewater Treatment Plant and other improvements located in the City of Roseville. The Authority issued \$180 million of debt for this purpose in December 2000 and is in the process of constructing the Pleasant Grove Plant, which is estimated to cost \$169 million, along with other improvements. Construction costs incurred to date as of June 30, 2003, including costs incurred prior to the formation of the Authority that were reimbursed from bond proceeds, were \$140.8 million; the Plant is expected to be completed in fiscal 2004.

Members contribute Connection Fees they collect from developers as the properties to be served by the Authority are developed. These Connection Fees are expected to be sufficient to fund the entire cost of the debt service on the Plant's construction, including principal and interest.

After construction is complete, the Authority will be responsible for collecting contributions of Connection Fees from members and for making all debt service payments on the Revenue Bonds until they are retired.

The Authority's accounting is similar to private business enterprises; capital construction costs, including interest costs, are capitalized; interest income on unexpended bond proceeds and other incidental income is netted against these costs. Under the terms of the agreements creating and governing the Authority (the Agreements), these net capital costs are transferred to the City of Roseville, which will own and operate the improvements when they are complete.

THE BASIC FINANCIAL STATEMENTS

The Authority's Basic Financial Statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows. Together with this report, the Basic Financial Statements provide information about the significant events, assumptions and decisions that resulted in the financial performance reflected in those statements.

The Statement of Net Assets provides information regarding the financial position of the Authority, including its debt.

The Statement of Revenues, Expenses and Changes in Net Assets normally provides information regarding the revenues generated by the Authority's operations, and expenses incurred in generating those revenues. The Authority's only operating resources are provided by contributions from members and the only costs it incurs are capital construction costs, which are contributed to the City of Roseville, and debt service payments.

The Statement of Cash Flows provides information regarding the sources and uses of all the cash that flowed into and out of the Authority, regardless of how these transactions were accounted for.

FINANCIAL ACTIVITIES AND FISCAL YEAR 2003 HIGHLIGHTS

Statement of Net Assets

The Authority's net assets decreased \$4.5 million in 2003 to a new total of \$473 thousand, down from \$5 million in 2002. This decrease is the Change in Net Assets reflected in the Statement of Activities. The Authority's Net Assets at June 30, 2003 are discussed below:

- Investments of unexpended bond proceeds and member contributions totaled \$178.1 million, all of which were invested in accordance with applicable Authority resolutions and bond indentures.
- Deferred receivables totaled \$18.6 thousand, a decrease of \$2.8 million from 2002 due to the normal collection of connection fees deferred in prior years under various agreements with developers and an early payment from one developer to pay off their connection fee receivable.
- Long-term debt declined \$2.2 million as principal payments were made timely and no new debt was issued.
- Other assets and liabilities included normal business receivables and payables.
- Net assets restricted for rate stabilization totaled \$129 million; these net assets are restricted by the Members for use in the funding of debt service payments required under the Authority's bond indentures and future capital expansion. A separate analysis of net assets restricted for rate stabilization by Member is presented as supplementary information to the financial statements.
- Net assets restricted for debt service totaled \$12.2 million; this amount is restricted under the Authority's Revenue Bond indentures to payment of debt service in the event other resources of the Authority are not adequate.
- Unrestricted net deficit totaling \$140.8 million represents net capital construction costs incurred to date in constructing the Pleasant Grove Plant and other improvements. The construction in progress has been transferred to the City of Roseville in this amount, as required by the Agreements.

Statement of Revenues, Expenses and Changes in Net Assets

Capital costs of the Authority, as defined by the Agreements, include personnel services and administration, debt service, and construction costs. Construction costs include interest on construction financing costs, net of interest income on unexpended bond proceeds.

Total capital costs totaled \$26.4 million at June 30, 2003. The following is the breakdown of capital costs:

- Personnel services and administration expenditures of \$168 thousand incurred in fiscal 2003 compared to \$125 thousand in fiscal 2002.
- Debt service expenditures were \$8.6 million, including \$2.2 million for principal repayment, \$6.4 million in interest expense and \$5 thousand in fiscal agent fees. The prior year expenditures were \$8.7 million, including \$1.9 million for principal repayment, \$6.5 million in interest expense and \$226 thousand in fiscal agent fees. Generally accepted accounting principles require that net construction period interest costs be included in the capitalized cost of the project. Net construction period interest costs are the net of interest costs paid on the debt less interest revenues received on unexpended debt proceeds.

- Actual construction payments to contractors in fiscal 2003 were \$19.9 million, compared to \$61.2 million in fiscal 2002, as work on the Pleasant Grove Plant and other improvements were coming to completion.
- Interest income of \$5.3 million recorded in fiscal 2003 on unexpended bond proceeds.

With the transfer of \$23.8 million in fiscal 2003, the total amount of capital costs incurred and transferred, in the form of construction in progress, to the City of Roseville to date is \$140.8 million, which is reflected in the financial statements as the deficit balance in unrestricted net assets.

The Authority received contributions of \$16.6 million from Members in fiscal 2003, representing Connection Fees collected by them from developers of properties in the area to be served by the Authority. While lower than the \$19.2 million received in fiscal 2002 due to a leveling of construction, it still shows a high growth rate in the area.

Analysis of Rate Stabilization Restricted Net Assets Schedule

The Schedule presented as supplementary information to the financial statements, shows that interest income of \$3.1 million was added to Members' balances along with their fiscal 2003 contributions of \$16.6 million, plus \$21.7 million was credited to the Members' balances in the form of reimbursements from Bond Proceeds to fund capital construction and other associated costs.

DEBT ADMINISTRATION

The Authority issued no new debt in fiscal 2003 and made all scheduled repayments of existing debt. At June 30, 2003, the Authority's debt comprised the 2000 South Placer Wastewater Authority Wastewater Revenue Bonds, Series A, and the 2000 South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B, which are discussed in detail in Note 4 to the financial statements.

Subsequently, in September 2003, the Authority issued \$97 million variable auction rate bonds to advance refund \$84.5 million of the remaining \$105.7 million fixed rate, Series A bonds. The interest rate on the 2003 Bonds is reset weekly. A separate variable-to-fixed interest rate swap was also entered into with Morgan Stanley which effectively fixed the interest rate at an amount lower than the original Series A interest rate.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Authority's major initiative is the construction of the Pleasant Grove Plant and other improvements discussed above, the debt service on which is to be financed by Member contributions of Connection Fees collected from developers. The Members have pledged to cover any shortfall in developer Connection Fees.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances. Questions about this Report should be directed to the City of Roseville Finance Department, at 311 Vernon Street, Roseville, CA 95678.



SOUTH PLACER WASTEWATER AUTHORITY

STATEMENT OF NET ASSETS
AND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

SOUTH PLACER WASTEWATER AUTHORITY STATEMENT OF NET ASSETS JUNE 30, 2003

ASSETS

Current Assets: Investments in City of Roseville Treasury (Note 2)	\$18,034,166
Investments (Note 2)	111,719,718
Restricted Investments with fiscal agent (Note 2)	48,374,662
Accounts receivable	16,750
Accrued interest receivable	658,858
Due from other governments	568,599
	308,399
Noncurrent Assets:	19.626
Deferred receivables (Note 3)	18,626
Total Assets	179,391,379
LIABILITIES	
Current Liabilities:	
Accounts payable and other liabilities	3,258,250
Long term liabilities:	• •
Long-term debt (Note 5)	
Due in one year	2,285,000
Due in more than one year	173,375,000
Due in more than one year	
Total Liabilities	178,918,250
NAME 4 0 0 2 2 2 2	
NET ASSETS	
Restricted for rate stabilization	129,016,963
Restricted for debt service	12,219,085
Unrestricted (deficit)	(140,762,919)
Total Net Assets	\$473,129
101111101110000	\$175,125

See accompanying notes to financial statements

SOUTH PLACER WASTEWATER AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

OPERATING COSTS Cost of capital assets contributed to City of Roseville (Note 4): Personnel services and administration Debt service interest and variable bond interest expense Construction costs Interest revenue on bond proceeds Other revenue	\$167,672 6,403,746 19,860,583 (2,566,415) (50,541)
Net cost of capital assets contributed to City of Roseville	23,815,045
Operating loss	(23,815,045)
NONOPERATING INCOME (EXPENSE) Connection fees contributed by members (Note 1) Interest earned on connection fees Fiscal agent fees Net decrease in the fair value of bond proceed investments	16,594,777 3,091,941 (4,520) (384,050)
Total nonoperating income	19,298,148
Net loss	(4,516,897)
Net Assets at beginning of year	4,990,026
Net Assets at end of year	\$473,129

See accompanying notes to financial statements

SOUTH PLACER WASTEWATER AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES Payments to contractors Payments to City of Roseville for personnel services and administration Interest paid on debt Interest received on bond proceeds Other receipts	(\$20,861,955) (167,672) (6,403,746) 2,566,415 50,541
Net cash used by operating activities	(24,816,417)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Receipts from members Principal payments on debt Fiscal agent fees	21,869,012 (2,200,000) (4,520)
Cash Flows from Capital and Related Financing Activities	19,664,492
CASH FLOWS FROM INVESTING ACTIVITIES Interest received	2,741,286
Cash Flows from Investing Activities	2,741,286
Net decrease in cash and cash equivalents	(2,410,639)
Cash and investments at beginning of year	180,539,185
Cash and investments at end of year	\$178,128,546
Reconciliation of operating loss to net cash used by	
operating activities: Operating loss	(\$23,815,045)
Change in assets and liabilities: Accounts payable and other liabilities	(1,001,372)
Net cash used by operating activities	(\$24,816,417)
NONCASH CAPITAL FINANCING ACTIVITIES	
Contribution of construction in progress to the City of Roseville	(\$23,815,045)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Organization and Purpose

The South Placer Wastewater Authority (the Authority) is a Joint Powers Agreement created in October 2000 which is financing the construction of the Pleasant Grove Wastewater Treatment Plant and improvements to the Dry Creek Wastewater Treatment Plant, referred to collectively as the Regional Wastewater Facilities.

The members of the Authority are the City of Roseville, South Placer Municipal Utilities District and the County of Placer. The Authority's Governing Board is comprised of five directors as appointed by the member agencies. Two directors are appointed by the City, one director is appointed by the District, and two directors are appointed by the County. Each representative of the governing board has one vote.

In addition, the members entered into a Funding Agreement and Operations Agreement to provide for the funding and operation of the Regional Wastewater Facilities. Under the Funding Agreement the members agreed that the City of Roseville will own and operate the Regional Wastewater Facilities and that the other members will have an interest in the capacity of those facilities. Capital construction costs are transferred to the City of Roseville annually.

Members contribute connection fees they collect from developers as the properties to be served by the Plant are developed. These connection fees are expected to be sufficient to fund the entire cost of the debt service on the Plant's construction, including principal and interest. These contributions are made monthly.

The Authority may not be terminated, and no member agency may withdraw its membership, until all bonds or other indebtedness issued by the Authority have been paid in full.

The Authority has no employees and substantially all staff services are performed by City of Roseville personnel. Costs incurred by the City of Roseville to provide such services are reimbursed by the Authority.

The Authority is considered to be a separate legal entity and is not a component unit of the above members.

The accounting records of the Authority are maintained by the City of Roseville.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements—and 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 Governments; Omnibus, and No. 38, Certain Financial Statement Note Disclosures.

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

The Statement of Net Assets and the Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the Authority overall. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority'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 and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. Basis of Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

ENTERPRISE FUND

Rate Stabilization Fund - The Rate Stabilization Fund, the Authority's only fund, is the general operating fund of the Authority. It is used to account for all financial resources of the Authority. This fund is used to pay all administrative, operating, construction and other expenses incurred by the Authority, and to account for member contributions and charges.

D. Interest Income Allocation

Interest income is credited to capital construction costs and member contributions based on the source of the interest earned. Interest earned on restricted investments with fiscal agents is credited to capital construction costs and all other interest is accounted for as interest on contributions.

NOTE 2 - CASH AND INVESTMENTS

The Authority pools cash from all sources and all funds except cash with fiscal agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenses at any time.

A. Categorization of Credit Risk of Securities Instruments

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the Authority's fiscal agents as required under its debt issues. In order to maximize security, the Authority employs the Trust Department of a bank as the custodian of all Authority managed investments, regardless of their form.

The Authority categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - Securities instruments in this category are in the Authority's name and are in the possession of the Trust Department of the bank employed by the Authority solely for this purpose. The Authority is the registered owner of securities held in book entry form by the bank's Trust Department.

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name but are held by its Trust Department in a separate account in the Authority's name.

Category 3 - None of the Authority's investments are in this category, which would include only Authority-owned securities instruments or book entry form securities which were not in the Authority's name or which were not held by the bank's Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

Investments are carried at fair value and are categorized as follows at June 30, 2003:

Category 2 Investments:

Total Investments

U.S. Government Securities \$33,149,677 Forward Delivery Agreement 58,320,628 Pooled Investments (non Categorized): Mutual Funds and Money Market Funds (U.S. Securities) 48,374,662 State of California Local Agency Investment Fund City of Roseville's Pooled Investment Fund 18,034,166

\$178,128,546

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agreements.

Investments in City of Roseville Treasury	\$18,034,166
Investments in Treasury	111,719,718
Restricted Investments with Fiscal Agent	48,374,662
Total Investments	\$178,128,546

C. Authorized Investments

The Authority's investment policy and the California Government Code allow the Authority to invest in the following:

Securities of the U. S. Government or its agencies

Forward Delivery Agreements

Obligations of the State of California or any Local Agency within the state

Repurchase Agreements

Banker's Acceptances

Commercial Paper

Medium-Term Corporate Notes

Certificates of Deposit

Negotiable Certificates of Deposit

California Local Agency Investment Fund

Insured Savings Accounts

Money Market / Mutual Funds

California Asset Management Trust

Qualified Swaps

City of Roseville's Pooled Investment Fund

The Authority does not enter into reverse repurchase agreements. Trustees under bond indentures may also invest in guaranteed investment contracts and money market and mutual funds.

The City of Roseville also holds certain funds within the City's investment pool to be used to pay current operating expenses of the Authority.

The Authority's investments are carried at fair value instead of cost, as required by generally accepted accounting principles in the United States of America. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which at June 30, 2003 was \$57,482 more than the Authority's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 – DEFERRED RECEIVABLES

The City of Roseville has entered into a number of agreements with developers to defer permit fees for various projects within the City of Roseville. With the creation of the Authority, these agreements have been transferred from the City of Roseville to the Authority. The terms of these agreements call for various interest rates and payment dates. The balance of these deferred receivables at June 30, 2003 was \$18,626.

NOTE 4 - CAPITAL ASSETS CONTRIBUTED TO THE CITY OF ROSEVILLE

Capital construction costs incurred by the Authority are transferred annually, in the form of construction in progress, to the City of Roseville, which owns and operates the Regional Wastewater Facilities. Capital construction costs of the Authority, as defined by the Funding Agreement, include personnel services and administration, debt service, and construction costs. Construction costs include interest on construction financing costs, net of interest income on unexpended bond proceeds.

Costs incurred by the Authority in fiscal 2003 totaling \$23,815,045 were transferred as construction in progress to the City of Roseville as of June 30, 2003.

NOTE 5 - LONG-TERM DEBT

A. Current Year Transactions and Balances

	Balance June 30, 2002	_Retirements_	Balance June 30, 2003	Current Portion
Revenue Bonds				
2000 Wastewater Revenue Bonds,				
Series A, 3.8%-5.5%, due 11/1/27	\$107,860,000	\$2,200,000	\$105,660,000	\$2,285,000
2000 Variable Rate Demand Wastewater				
Revenue Bonds, Series B,				
variable rate, due 11/1/35	70,000,000		70,000,000	
TOTAL	\$177,860,000	\$2,200,000	\$175,660,000	\$2,285,000

NOTE 5 - LONG-TERM DEBT (Continued)

B. 2000 South Placer Wastewater Authority Wastewater Revenue Bonds, Series A; 2000 South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B

In November 2000, the Authority issued Revenue Bonds Series A and Series B in the original principal amounts of \$109,775,000 and \$70,000,000 respectively. The purpose of these bonds is to partially finance the cost of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. Upon completion, this Plant will benefit the City, the District, and the County. These three entities in return share the obligation of the Revenue Bonds.

The Series A Bonds were issued as fixed rate bonds. Principal payments are payable annually on November 1 and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027.

Annual debt service requirements for Series A are shown below:

Year Ending June 30	Principal Repayment	Interest	Total
2004	\$2,285,000	\$5,292,831	\$7,577,831
2005	2,375,000	5,199,631	7,574,631
2006	2,470,000	5,101,188	7,571,188
2007	2,575,000	4,996,169	7,571,169
2008	2,680,000	4,885,144	7,565,144
2009-2013	15,285,000	22,463,454	37,748,454
2014-2018	19,755,000	17,838,951	37,593,951
2019-2023	25,455,000	12,021,626	37,476,626
2024-2028	32,780,000	4,478,251	37,258,251
	\$105,660,000	\$82,277,245	\$187,937,245

The Series B Bonds were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. The average monthly interest paid in fiscal year 2003 was \$68,600 and the interest rate as of June 30, 2003 for the Bonds was 1.18%. Beginning in fiscal year 2029, principal payments as shown below will be made in addition to the variable interest payments.

Year Ending June 30	Principal Repayment	Interest (at current rate)	Total
2004		\$826,000	\$826,000
2005		826,000	826,000
2006		826,000	826,000
2007		826,000	826,000
2008		826,000	826,000
2009-2013		4,130,000	4,130,000
2014-2018		4,130,000	4,130,000
2019-2023		4,130,000	4,130,000
2024-2028		4,130,000	4,130,000
2029-2033	\$32,255,000	2,873,477	44,018,477
2034-2036	37,745,000	462,835	29,317,835
	\$70,000,000	\$23,986,312	\$93,986,312

NOTE 6 – NET ASSETS

Net Assets is the excess of all the Authority's assets over all its liabilities, regardless of fund. The Authority's net assets are divided into two segments under GASB Statement 34.

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 Authority cannot unilaterally alter. At June 30, 2003, restrictions included:

Restricted for rate stabilization represents the portion of net assets restricted for future use in the event development fees are not adequate to meet the required ratio of revenue to expenses required under bond indentures.

Restricted for **debt service** represents the portion of net assets held in reserve in the event other resources of the Authority are not adequate to make required debt service payments.

Unrestricted describes the portion of Net Assets which is not legally or contractually restricted as to use.

NOTE 7 - RISK MANAGEMENT

The Authority has purchased commercial insurance for general, property and public officials liability. During the fiscal year ended June 30, 2003, the Authority paid \$14,251 for current year coverage.

The following types of loss risks are covered by the above commercial insurance policies as follows:

Type of Coverage	Coverage Limit	Deductible	
Bodily Injury	\$1,000,000	\$2,500	
Property	1,000,000	2,500	
Personal Injury	1,000,000	2,500	
Automobile Liability	1,000,000	2,500	
Public Official Bond	1,000,000	2,500	
Crime Bond	10,000,000	25,000	
Fire	50,000	2,500	
Employment Practices Liability	1,000,000	10,000	

The Authority has not had any claims as of June 30, 2003.

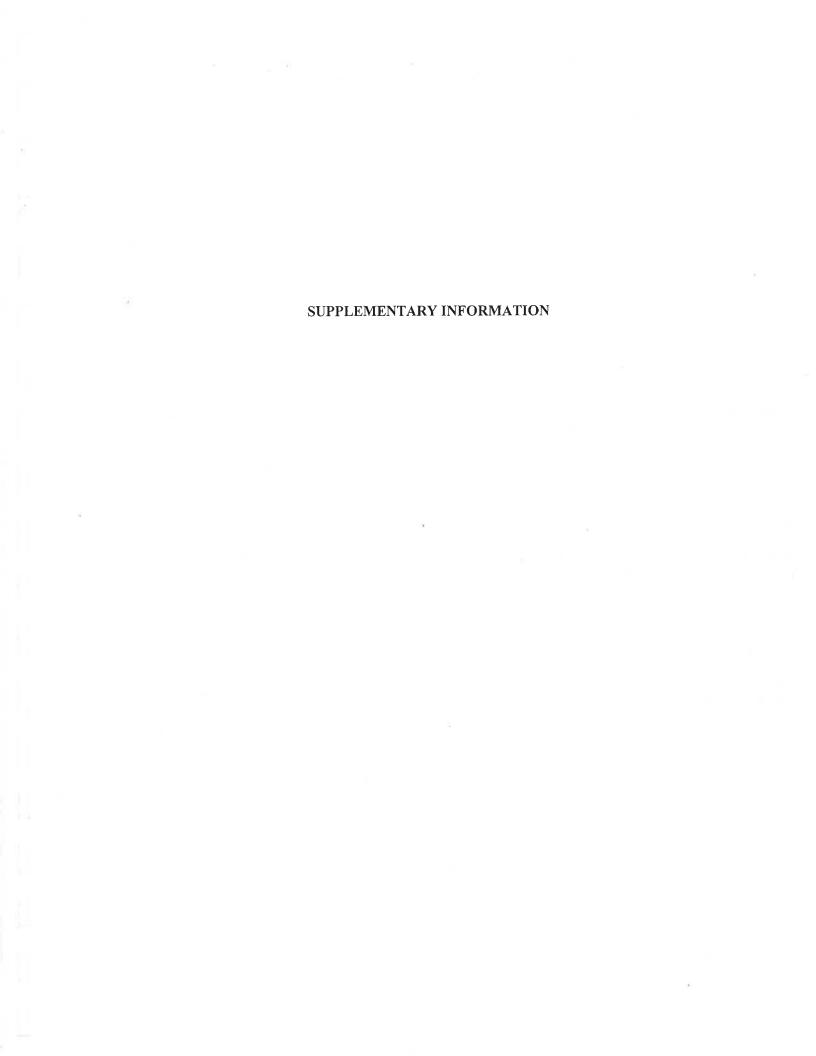
NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

The Authority has outstanding contracts related to the construction of the Pleasant Grove Wastewater Treatment Plant totaling \$55.6 million at June 30, 2003.

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

NOTE 9 - SUBSEQUENT EVENT

In September 2003 the South Placer Wastewater Authority issued Refunding Wastewater Revenue Bonds, Series 2003 in the amount of \$97,000,000. The purpose of these bonds is to advance refund a portion of the South Placer Wastewater Authority Wastewater Revenue Bonds, Series A. The bonds were issued at a variable interest rate, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. A separate variable-to-fixed interest rate swap was also entered into with Morgan Stanley which effectively fixed the interest rate at an amount lower than the original Series A interest rate. Principal payments are payable annually on November 1 and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027.



SOUTH PLACER WASTEWATER AUTHORITY ANALYSIS OF RATE STABILIZATION RESTRICTED NET ASSETS

		South Placer Municipal Utility	Placer	
	City of Roseville	District	County	Totals
Balance at June 30, 2002	\$74,881,754	\$35,395,817	\$5,939,695	\$116,217,266
Additions July 1, 2002 to June 30, 2003				
Regional Connection fees Reimbursement of construction costs from	11,001,778	4,752,775	840,224	16,594,777
bond proceeds and other revenue	11,781,229	5,437,157	4,530,239	21,748,625
Interest allocation	2,004,328	942,759	144,854	3,091,941
Capital construction costs	(10,758,477)	(4,965,147)	(4,136,959)	(19,860,583)
Debt service	(4,662,623)	(2,151,848)	(1,792,920)	(8,607,391)
Administrative costs	(90,827)	(41,918)	(34,927)	(167,672)
Total	9,275,408	3,973,778	(449,489)	12,799,697
Balance June 30, 2003	\$84,157,162	\$39,369,595	\$5,490,206	\$129,016,963
			NY . A	
			Net As	Member
			Bond Proceeds	Contributions
Investments in City of Roseville Treasury				\$18,034,166
Investments				111,719,718
Restricted investments with fiscal agent			\$46,627,330	1,747,332
Unallocated gain on investments			448,298	(448,298)
Accounts receivable			40.530	16,750
Accrued interest receivable			40,538	618,320 568,599
Due from other governments				18,626
Deferred receivables			α.	(3,258,250)
Accounts payable and other liabilities				(3,230,230)
Long-term debt:			(2,285,000)	
Due in one year Due in more than one year			(173,375,000)	
Due in more man one year			(-,-,-,-,-,-)	
Net Assets (Deficit)			(\$128,543,834)	\$129,016,963