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# **SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

## **Comprehensive Annual Financial Report** (Audited)

**JUNE 30, 2014**

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January 8, 2015

Members of the Board of Directors  
South Placer Municipal Utility District

Directors:

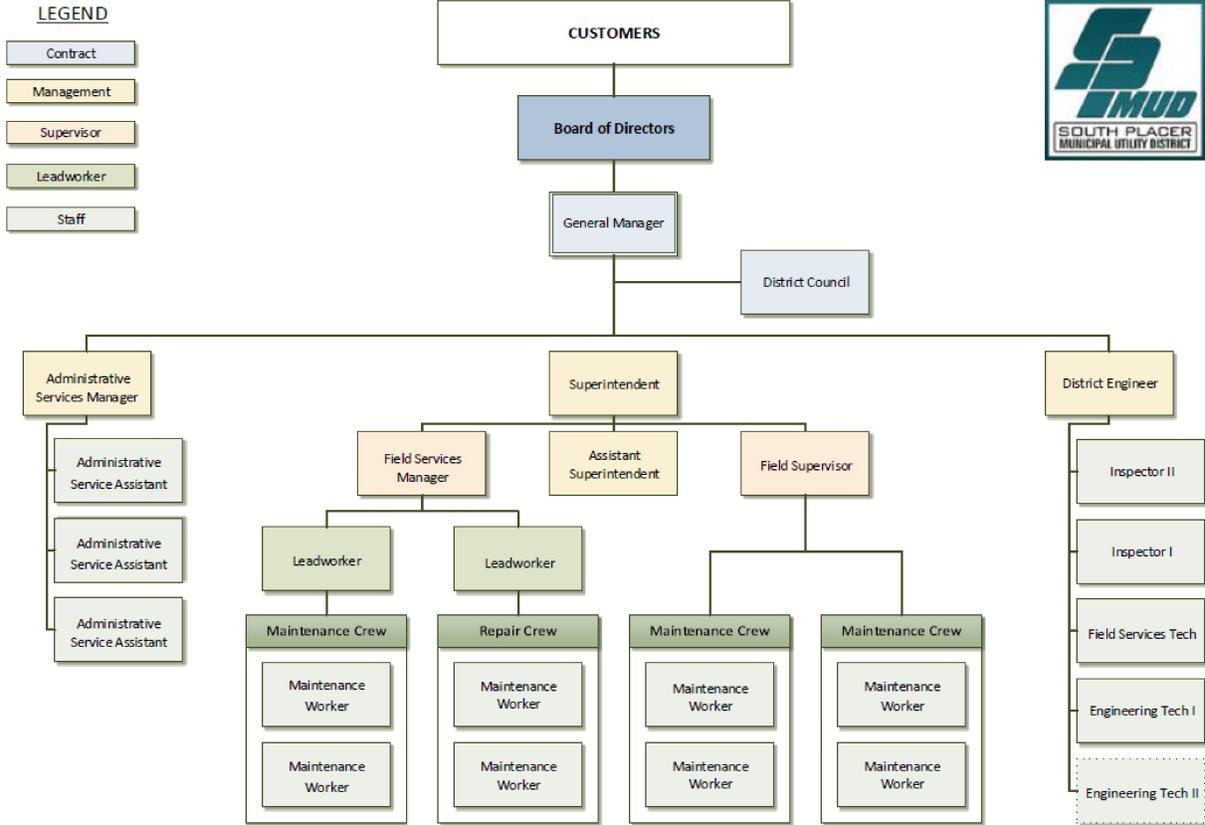
The South Placer Municipal Utility District is required by State statute to publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to present the Comprehensive Annual Financial Report (CAFR) for the South Placer Municipal Utility District (District) for the fiscal year ended June 30, 2014. The information presented in this CAFR is intended to provide financial information with all the disclosures necessary to enable the District's customers, investment community and general public to assess the District's financial condition. This report contains management's representations concerning the finances of the District. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to both protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Stroub & Company, CPAs, a firm of licensed certified public accountants with which the District contracts for these services. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, are free from material misstatement. The independent audit involved examining, on a test basis, evidence about the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

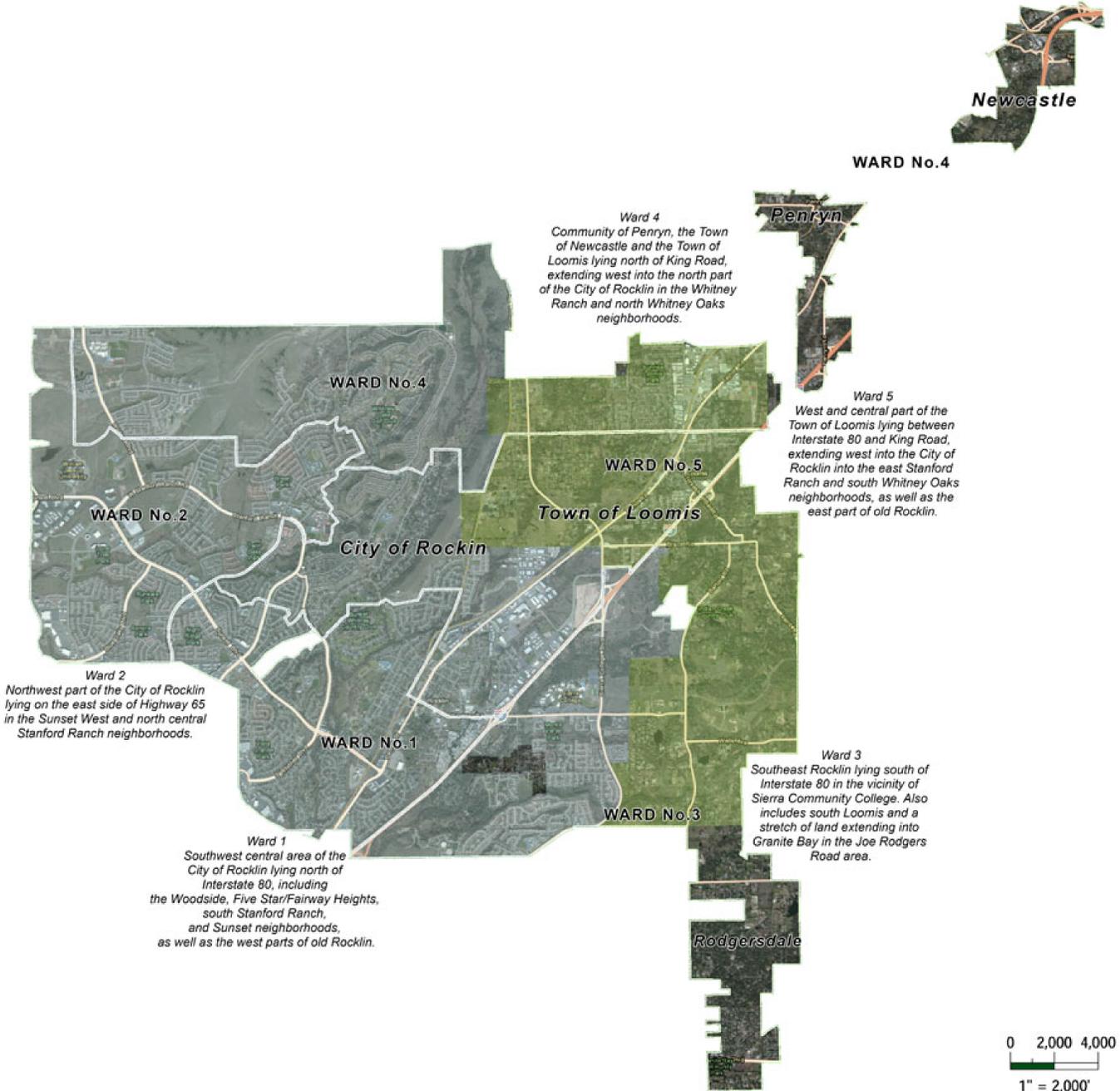
This transmittal letter is designed to complement the MD&A and is intended to be read in conjunction with it.

Charles W. Clark  
General Manager

# SOUTH PLACER MUNICIPAL UTILITY DISTRICT



# SOUTH PLACER MUNICIPAL UTILITY DISTRICT SERVICE AREA



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Title	Name	Yrs of Service	Term
<b><u>Elected Board of Directors</u></b>			
President	James T. Williams	13	2016
Vice President	John Murdock	18	2018
Director	Gerald P. Mitchell	12	2016
Director	William Dickinson	8	2018
Director	Vic Markey	6	2016
<b><u>Appointed Manager</u></b>			
General Manager	Charles W. Clark	9	12/05-12/14

**South Placer Municipal Utility District  
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS**

The Management's Discussion and Analysis (MDA) purpose is to provide a fact-based summary of the District's financial status from management's perspective. This report will provide an indication of how well South Placer Municipal Utility District (SPMUD or District) is doing financially for fiscal year beginning on July 1, 2013 and ending June 30, 2014 (FY14) and should be reviewed in conjunction with the audited financial statements, which follow the MDA.

**FINANCIAL HIGHLIGHTS FOR FY14**

SPMUD is located in southwestern Placer County, CA and serves an estimated population of 73,000 (based on Equivalent Dwelling Units (EDU) x 2.4 people / EDU). EDU's are determined by the annual service charges collected divided by \$336/EDU/yr. The District service area boundaries encompasses 31 square miles which includes the incorporated communities of the City of Rocklin and Town of Loomis, and the unincorporated communities of Placer County that include Penryn and Newcastle (north of Loomis), and Rogersdale (in the Granite Bay area). Ninety-one percent of our customers are residential, 5% commercial and 4% educational.

The most significant financial changes in the District from previous year audit was implementing the new financial/utility billing database program that began in FY13 and will continue into FY15. The new development starts increased in FY14 over the last two years. The monthly service charge remained the same as FY13 while the Local Participation Fee decreased by \$400/EDU.

Table 1 below compares and highlights important statistics for the last three years:

**TABLE 1: DISTRICT CHANGES**

DESCRIPTION	UNITS	AS OF JUNE 30			CHANGE
		2012	2013	2014	%
SERVICE CHARGES		\$9,489,000	\$10,260,000	\$10,203,000	-0.5
ACCOUNTS	EACH	20,400	20,600	20,930	1.6
SERVICE FEE/ EDU	MONTHLY	\$26.00	\$28.00	\$28.00	0.0

The District service charges decreased slightly in part due to the replacement/implementation of our new financial & billing software and customer database for FY14. The District customer account base increased slightly. The monthly service charge remained the same for FY 14.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The District has a very conservative policy on how they invest their reserves; currently it only invests in the Placer County Treasury Investment Plan (PCTIP) and the Calif. State- Local Agency Investment Fund (LAIF). My analysis of the District's Financial Statements for Cash and Investments is summarized in Table 2 and for Revenues and Expenses is summarized in Table 3; the current FY is compared to the prior two years from past audit reports.

**South Placer Municipal Utility District  
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014**

**TABLE 2- CASH & INVESTMENT BALANCES (IN \$ MILLION)**

<b>ITEM</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
PLACER CO. TREASURY (PCTIP)	\$30.77	\$34.38	\$34.75
STATE INVESTMENT POOL (LAIF)	\$8.28	\$7.58	\$7.49
CHECKING ACCOUNT (CASH ON HAND)	\$0.14	\$0.95	\$2.00
<b>TOTAL CASH &amp; INVESTMENTS (END of FY)</b>	<b>\$39.18</b>	<b>\$42.91</b>	<b>\$44.24</b>

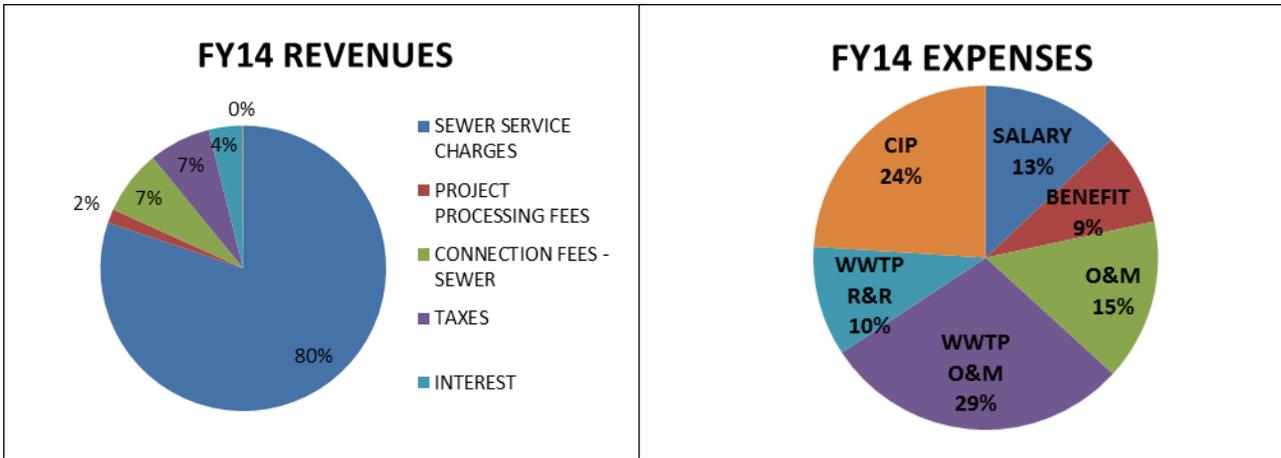
SPMUD Total cash and investments increased by \$1.33M or (3.1%) over last year from \$42.91M to \$44.24M; we are keeping most of our investments with PCTIP because its average yield is 1.26% as compared to LAIF at 0.25%.

**TABLE 3- REVENUE & EXPENSE FOR PAST THREE FISCAL YEARS**

<b>REVENUE AND EXPENSE</b>	<b>FY 2011/12</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>
<b>OPERATING REVENUE</b>			
SEWER SERVICE CHARGES	\$ 9,489,453	\$ 10,260,093	\$ 10,202,898
LOCAL CONNECTION FEES	\$ 411,250	\$ 680,755	\$ 1,005,529
PERMITS, PLAN CHECK, INSPEC. FEES	\$ 44,720	\$ 132,774	\$ 538,220
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 9,945,423</b>	<b>\$ 11,073,622</b>	<b>\$ 11,746,647</b>
<b>OPERATING EXPENSES</b>			
SALARY & BENEFITS	\$ 2,709,548	\$ 2,587,563	\$ 2,734,624
OPERATION & MAINTENANCE	\$ 2,124,122	\$ 1,737,396	\$ 1,933,681
RWWTP O&M + R&R	\$ 4,944,830	\$ 4,517,100	\$ 4,647,150
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 9,778,500</b>	<b>\$ 8,844,059</b>	<b>\$ 9,315,455</b>
<b>OPERATING INCOME(LOSS)</b>	<b>\$ 166,923</b>	<b>\$ 2,227,563</b>	<b>\$ 2,431,192</b>
<b>NONOPERATING REVENUES</b>			
PROPERTY TAXES	\$ 575,130	\$ 610,400	\$ 893,954
INTEREST	\$ 643,017	\$ 595,320	\$ 545,188
OTHER REVENUES	\$ 10,863	\$ 16,310	\$ 14,544
<b>NONOPERATING TOTALS</b>	<b>\$ 1,229,010</b>	<b>\$ 1,222,030</b>	<b>\$ 1,453,686</b>
<b>NET BEFORE CAPITAL CONTRIBUTIONS</b>	<b>\$ 1,395,933</b>	<b>\$ 3,449,593</b>	<b>\$ 3,884,878</b>

**South Placer Municipal Utility District  
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014**

**CHART 1 - REVENUES AND EXPENSES**



Revenues exceeded expenses by \$3.88 million (not including Capital Outlays); service charges remained about the same and interest income was down slightly. However, all other revenue sources increased. Connection fees increased 47% and plan-check fees were up 305%, while Tax revenues increased 46%. Expenses were up 8% overall, with salary & benefits up 5.7%, O&M up 8.2% and RWWTP costs were up 2.9%.

Per our five-year financing plan, our monthly service charge for FY 14 was scheduled to increase by \$2.00 (\$28.00 to \$30.00) per EDU, however, due to our cost saving efforts, SPMUD was able to defer this increase; not only for FY14 but also FY15. Our local connection fee was also reduced by 19% from \$2,500 to \$2100 per EDU in FY14 as part of our re-evaluation of our Master Plan Projects.

**TABLE 4 - CAPITAL OUTLAY ACTIVITY**

CAPITAL OUTLAY	AMOUNT
TYLER- Hardware/Software Upgrade	\$ 154,000
CCTV Van Replacement	\$ 96,950
Lift Station Rehabilitation	\$ 12,500
Remote Site Control Improvements (SCADA)	\$ 88,550
Easement Roadway Upgrades	\$ 40,000
Corp Yard Improvements	\$ 108,880
Corporation Yard Pavement/Repairs	\$ 101,500
Root Foaming/Hydro Truck Retrofit	\$ 42,000
Maintenance Building Repairs	\$ 37,400
Computer Equipment/Software	\$ 1,300
Upper Antelope Creek-East Trunk	\$ 546,000
System Rehabilitation	\$ 259,300
Data Acquisition/Lucity	\$ 236,400
RWWTP Rehab & Replacement	\$ 1,307,000
<b>TOTAL</b>	<b>\$ 3,031,780</b>

**South Placer Municipal Utility District  
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014**

The largest projects programmed for FY14 were the RWWTP Rehabilitation (\$1.31M), the Upper Antelope Creek- East Sewer Trunk Project (\$0.54M), database hardware/software replacement (\$400k) and sewer system rehabs (\$260k). The remaining capital outlay activity was for office and field equipment replacement and repair of existing District facilities. The District also received \$4.1M sewer asset contributions from new development. This included 3.26 miles of gravity sewer pipe, 95 manholes and the Sierra College Lift Station with force mains.

**BUDGETARY HIGHLIGHTS**

In comparing our FY13 audited net income (before capital contributions) and expenses with the audited FY14 fund balances and projected revenues and expenses for FY15, there is an increase in all values; Table 5 shows this comparison:

**TABLE 5- GENERAL FUND BUDGET ANALYSIS (\$)**

	ACTUAL AS OF 6/30/13	AUDITED AS OF 6/30/14	PROJECTED FY ENDING 6/30/15	
<b>REVENUES</b>	12,295,652	13,200,333	14,253,000	
<b>EXPENSES</b>	8,846,059	9,315,455	10,800,000	
<b>DIFFERENCE</b>	3,449,593	3,884,878	3,453,000	
	REVENUE CHG	+7.4%	+8.0%	
	EXPENSE CHG	+4.8%	+15.9%	

Operating and non-operating revenues are increasing at about \$1,000,000/yr while expenses increased \$424,000 last year and projected to increase almost \$1.5 million this year. Because of this, the Board of Directors was able to defer a previously approved \$2/mo (going from \$28 to \$30) service fee increase for FY14 and no increase is needed for FY15.

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

Our FY15 General Fund revenues are projected to be 8.0% greater than this FY14 audit year; while projected expenses (not including fund transfers between the Capital and General funds) will be 15.9% greater. The FY15 Operations & Maintenance Budget is 15% more than this audit year and the Salary & Benefits is 7.3% greater. Regional treatment costs are projected to increase by 8%. We have programmed \$3.44M in capital outlays in FY15, not including fund transfers.

Our unrestricted net assets are projected to increase \$2.85M (\$49.33M - \$46.48M). The customers in the NSD service area pay an additional \$54/EDU/mo in Project Related Service Charge (PRSC) to repay the loan for the NSD Annex Project and add about \$200,000/yr to our reserves.

**South Placer Municipal Utility District  
Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014**

Table 6 summarizes our FY15 Budget outlook.

<b>TABLE 6- FY 15 BUDGET REVIEW</b>				
<b>PROJECTED REVENUES</b>				
<b>OPERATING</b>	<b>NON-OPERATING</b>	<b>CAPITAL FUND</b>		<b>TOTAL</b>
\$11,680,000	\$1,003,000	\$1,570,000		\$14,253,000
<b>PROJECTED EXPENSES</b>				
<b>SALARIES</b>	<b>BENEFITS</b>	<b>O &amp; M</b>	<b>RWWTP</b>	<b>TOTAL</b>
\$1,547,000	\$1,239,000	\$2,068,300	\$5,950,000	\$10,804,000
14.45%	11.58%	19.32%	54.65%	100%
<b>END OF FISCAL YEAR UNRESTRICTED NET ASSETS TREND</b>				
	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
	46,120,000	49,128,000	46,483,000	49,333,000

**PERSONNEL:** SPMUD has 38 approved personnel positions that include 5 elected, 2 contracted, 4 management, 2 supervisors, 19 staff and 6 temporary; there are currently 26.0 FTE. The District expects increased growth over the next FY and in the following years. The MOU's for employees and management were negotiated in FY14 for FY15 thru FY17. The District's current General Manager, Superintendent, and an inspector will retire in FY15.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This Financial Report is designed to provide the District's customers and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability. Questions about this report should be addressed to the General Manager, in writing to: SPMUD, 5807 Springview Drive, Rocklin, CA 95677, or by telephone at (916) 786-8555.



1380 Lead Hill Boulevard Ste. 106 Roseville, CA 95661

916.774.4675 916.218.6282 Fax info@mytaxrefund.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
South Placer Municipal Utility District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of South Placer Municipal Utility District for the fiscal year ended June 30, 2014 which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the South Placer Municipal Utility District

## **Other Matters Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 9 and budgetary comparison information on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2015, on our consideration of the South Placer Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Placer Municipal Utility District



Stroub & Company,  
Certified Public Accountants

January 8, 2015

**BASIC FINANCIAL STATEMENTS**

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

**STATEMENT OF NET POSITION**

(Audited)

**AS OF JUNE 30, 2014**

	<b>South Placer Operating Fund</b>	<b>Capital Maintenance Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash in Bank	\$ 2,000,320	\$ -	\$ 2,000,320
Short Term Investments	11,808,326	30,433,180	42,241,506
Accounts Receivable	3,522,965	63,733	3,586,698
Prepaid Expenses	19,298	-	19,298
<b>TOTAL CURRENT ASSETS</b>	17,350,909	30,496,913	47,847,822
<b>FIXED ASSETS</b>			
Depreciable Capital Assets(net)	58,447,647	-	58,447,647
Non Depreciable Capital Assets	1,836,868	-	1,836,868
<b>TOTAL FIXED ASSETS (NET)</b>	60,284,515	-	60,284,515
 Note Receivable	 -	 5,136,350	 5,136,350
<b>TOTAL ASSETS</b>	<b>\$ 77,635,424</b>	<b>\$ 35,633,263</b>	<b>\$ 113,268,687</b>
 <b>LIABILITIES &amp; NET POSITION</b>			
<b>CURRENT</b>			
Accounts payable	\$ 995,662	\$ -	\$ 995,662
Other accrued liabilities	173,567	-	173,567
OPEB Liability	47,752	-	47,752
Compensated Absences	148,191	-	148,191
<b>TOTAL CURRENT LIABILITIES</b>	1,365,172	-	1,365,172
 Note Payable	 5,136,350	 -	 5,136,350
<b>TOTAL LIABILITIES</b>	6,501,522	-	6,501,522
<b>NET POSITION</b>			
Net Investment in Capital Assets	55,148,165	-	55,148,165
Restricted Funds	-	5,136,350	5,136,350
Unrestricted Fund Balance	15,985,737	30,496,913	46,482,650
<b>TOTAL NET POSITION</b>	71,133,902	35,633,263	106,767,165
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 77,635,424</b>	<b>\$ 35,633,263</b>	<b>\$ 113,268,687</b>

The Notes to the Financial Statements are an integral part of these financial statements.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
(Audited)  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>South Placer Operating Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Sewer Charges	\$ 10,202,898	\$ -	\$ 10,202,898
Connection Charges	-	1,005,529	1,005,529
Permits, Fees, and Inspections	<u>538,220</u>	<u>-</u>	<u>538,220</u>
<b>Total Fees and Charges</b>	<b>\$ 10,741,118</b>	<b>\$ 1,005,529</b>	<b>\$ 11,746,647</b>
<b>OPERATING EXPENSES</b>			
Collection and Treatment	5,213,888	1,204,220	6,418,108
Administration and General	1,104,119	-	1,104,119
Technical Services	704,383	-	704,383
Depreciation	<u>1,088,844</u>	<u>-</u>	<u>1,088,844</u>
<b>Total Operating Expenses</b>	<b>\$ 8,111,234</b>	<b>\$ 1,204,220</b>	<b>\$ 9,315,454</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$ 2,629,884</b>	<b>\$ (198,691)</b>	<b>\$ 2,431,193</b>
Tax Revenue	893,954	-	893,954
Interest income	64,757	480,439	545,196
Other revenue	<u>14,544</u>	<u>-</u>	<u>14,544</u>
<b>Net Income Before Transfers</b>	<b>\$ 3,603,139</b>	<b>\$ 281,748</b>	<b>\$ 3,884,887</b>
Net Transfers from Operating Fund	-	1,527,718	1,527,718
Net Transfers to Capital Maintenance Fund	(1,527,718)	-	(1,527,718)
Capital Contributions	<u>4,099,981</u>	<u>-</u>	<u>4,099,981</u>
<b>CHANGE IN NET POSITION</b>	<b>\$ 6,175,402</b>	<b>\$ 1,809,466</b>	<b>\$ 7,984,868</b>
<b>Net Position, Beg Of Year</b>	<b>\$ 64,958,500</b>	<b>\$ 33,823,797</b>	<b>\$ 98,782,297</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 71,133,902</b>	<b>\$ 35,633,263</b>	<b>\$ 106,767,165</b>

The Notes to the Financial Statements are an integral part of these financial statements.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

**STATEMENT OF CASH FLOWS**

(Audited)

**JUNE 30, 2014**

	<b>South Placer Operating Fund</b>	<b>Capital Maintenance Fund</b>	<b>Total</b>
<b>Cash Provided by Operating Activities</b>			
Cash receipts from customers (non-agency)	\$ 12,132,384	\$ 1,006,299	\$ 13,138,683
Payments for employee services	(2,900,692)	-	(2,900,692)
Payments to suppliers for goods and services	(1,665,683)	(742,370)	(2,408,053)
Payments to City of Roseville (non-agency)	<u>(3,910,194)</u>	<u>(1,204,220)</u>	<u>(5,114,414)</u>
<b>Cash Provided by Operations</b>	<b>\$ <u>3,655,815</u></b>	<b>\$ <u>(940,291)</u></b>	<b>\$ <u>2,715,524</u></b>
<b>Cash Flows from Financing Activities</b>			
Cash Flows from Noncapital Financing Activities:			
Tax Revenue	\$ 893,954	\$ -	\$ 893,954
Other Revenue	14,544	-	14,544
Net Transfers to Capital Maintenance Fund	(1,527,718)	-	(1,527,718)
Net Transfers from Operating Fund	-	1,527,718	1,527,718
Cash Flows from Capital Financing Activities:			
Contributed Assets	4,099,981	-	4,099,981
Note Payable	<u>5,136,350</u>	<u>-</u>	<u>5,136,350</u>
<b>Cash Flows Provided in Financing Activities</b>	<b>\$ 8,617,111</b>	<b>\$ 1,527,718</b>	<b>\$ 10,144,829</b>
<b>Cash Flows From Investing Activities</b>			
-			
Interest income	\$ 64,757	\$ 480,439	\$ 545,196
Additions to fixed assets	(11,719,430)	-	(11,719,430)
Increase in loans advanced	<u>-</u>	<u>(357,240)</u>	<u>(357,240)</u>
<b>Cash Flows Provided (used) In Investing Activities</b>	<b>\$ (11,654,673)</b>	<b>\$ 123,199</b>	<b>\$ (11,531,474)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>\$ <u>618,253</u></b>	<b>\$ <u>710,626</u></b>	<b>\$ <u>1,328,879</u></b>
<b>Net Cash And Cash Equivalents, Beginning Of Year</b>			
	<b>\$ <u>13,190,393</u></b>	<b>\$ <u>29,722,554</u></b>	<b>\$ <u>42,912,947</u></b>
<b>NET CASH AND CASH EQUIVALENTS, END OF YEAR</b>			
	<b>\$ <u>13,808,646</u></b>	<b>\$ <u>30,433,180</u></b>	<b>\$ <u>44,241,826</u></b>

The Notes to the Financial Statements are an integral part of these financial statements.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

**STATEMENT OF CASH FLOWS**

(Audited)

**JUNE 30, 2014**

	<u>South Placer Operating Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Income From Operations	\$ 2,629,884	\$ (198,691)	\$ 2,431,193
Items Not Requiring An Outlay Of Cash:			
Depreciation	\$ 1,088,844	\$ -	\$ 1,088,844
Changes in Working Capital:			
Account receivable	\$ (248,516)	\$ 770	\$ (247,746)
Prepaid expenses	54,501	108,371	162,872
Accounts Payable	238,057	(850,741)	(612,684)
Accrued Expenses	(35,954)	-	(35,954)
Deposits	(83,534)	-	(83,534)
Compensated Absences	<u>12,540</u>	<u>-</u>	<u>12,540</u>
Adjustments to Working Capital	\$ <u>(62,906)</u>	\$ <u>(741,600)</u>	\$ <u>(804,506)</u>
<b>Cash Provided by Operations</b>	<b>\$ <u>3,655,822</u></b>	<b>\$ <u>(940,291)</u></b>	<b>\$ <u>2,715,531</u></b>

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

The South Placer Municipal Utility District operates under the Municipal Utility District Act. The Act permits formation of multipurpose government agencies to provide public services on a regional basis. In accordance with the Act, voters approved creating the South Placer Municipal Utility District to provide sewage disposal facilities. The District's governing body is a Board of Directors comprised of 5 members with 4 year staggered terms.

**A. Reporting Entity**

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

**B. Fund Accounting**

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund. An enterprise fund is used to account for the District's sewage disposal operations that is financed and operated in a manner similar to a private business enterprise, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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.

**C. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. This accounting method conforms to accounting principles generally accepted in the United States of America. Generally accepted accounting principles require all proprietary funds to use the accrual basis of accounting. The revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the related fund liability is incurred.

**D. Prepaid Expenses**

Accounts for prepaid health insurance and prepaid liability insurance.

**E. Cash Equivalents**

For purpose of the statement of cash flows, the District considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value. This includes bank accounts, cash with Placer County and deposits with the State of California Local Agency Investment Fund (LAIF).

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

**F. Budgetary Reporting**

The District prepares an annual operating and capital budget which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

**G. Use of Estimates in the Preparation of Financial Statements:**

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

**H. Capital Contributions:**

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers estimated cost, which approximates fair value at the time of the District's acquisition, and is recorded as capital contributions when received.

**I. Risk Management:**

The District maintains an insurance policy with American Alternative Insurance that provides limits of liability for general liability, auto and an additional umbrella policy. The District also maintains workers compensation insurance through SDRMA, with the employer's liability limit of \$10,000,000 per occurrence.

**J. Net Position:**

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets* -This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* -This component of net position consists of constraints imposed any creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* -This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

**K. Compensated Absences**

Compensated absences represent the vested portion of accumulated vacation leave. In accordance with GASB 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees.

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

**L. Property Taxes**

The District receives property taxes from Placer County, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the county. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property.

Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

**M. Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Capital assets include land, buildings, sewer system, equipment, office furniture and vehicles. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded on the straight-line basis over the useful life of the assets as follows:

Assets	Useful Life
Buildings	15-25 years
Sewer system	75 years
General equipment	10-20 years
Office furniture and vehicles	5-15 years

**Note 2: Cash and Investments**

Cash and equivalents as reported on the balance sheet at June 30, 2014, consisted of the following:

Component	Amounts
General Checking	\$ 2,000,320
LAIF account	7,492,500
Placer County Treasury	<u>34,749,006</u>
Total cash and equivalents	<u>\$ 44,241,826</u>

**Note 2: Cash and Investments (continued)**

**A. Investments Authorized by the California Government Code and the Entity's Investment Policy**

The table below identifies the investment types that are authorized for the South Placer Municipal Utility District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>% of Portfolio</u>	<u>One Issue Limitation</u>
Investment pools authorized under CA statute governed by Government Code	N/A	N/A	\$40 Mill
U.S. Treasury Obligations	5 Years	No Limit	No Limit
Bank Savings Account	N/A	25%	No Limit
Federal Agencies	5 Years	75%	No Limit
Commercial Paper	180 days	20%	No Limit
Negotiable Certificates of Deposits	180 days	20%	No Limit
Re-Purchase Agreements	180 days	20%	No Limit
Corporate Debt	5 Years	25%	No Limit

**B. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by remaining maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity</u>	
		<u>0-12 Months</u>	<u>13-48 Months</u>
State Investment Pool	7,492,500	7,492,500	-
Placer County Pooled Cash	34,749,006	34,749,006	-
Totals	<u>42,241,506</u>	<u>42,241,506</u>	<u>-</u>

District investments are not subject to categorization.

**C. Concentrations of Credit Risk**

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

**Note 2: Cash and Investments (continued)****D. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2014, the District's deposits balance was \$2,000,320 and the carrying amount was \$3,446,964. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by California Local Agency Deposit pledged collateral held in the pledging bank's trust department in the District's name.

**E. Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF which are recorded on an amortized cost basis.

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 if the change is material to the financial statements.

**Note 3: Note Receivable**

The District loaned funds to Newcastle Sanitary District (NSD) for the purpose of covering the cost of several reconstruction tasks required in connection with NSD facilities upgrades and regulatory compliance issues. The total outstanding loan amount as of June 30, 2014, was \$5,136,350. Interest on the principal amount accrues at an annual rate of 2.5%. The principal and interest charges are being billed quarterly to NSD customers at \$54 per month over a 40 year payback period.

**Note 4: Note Payable**

The District loaned to Newcastle Sanitary District (NSD) funds for the purpose of covering the cost of several reconstruction tasks as described in Note 4. In February 2014, the Newcastle Sanitary District was merged into South Placer Municipal Utility District and is now a service ward of the District. This loan was absorbed with the transfer of the capital assets contributed by the Newcastle Sanitary District.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

**JUNE 30, 2014**

**Note 5: Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Buildings	2,895,246	278,601	-	3,173,847
Sewer System	58,000,742	11,625,464	-	69,626,206
Equipment	658,609	417,728	(10,904)	1,087,241
Office Furniture	204,346	2,263	-	206,609
Vehicles	1,205,437	157,548	-	1,362,985
Less Accumulated Depreciation	<u>(15,909,493)</u>	<u>(1,088,844)</u>	<u>10,904</u>	<u>(17,009,241)</u>
 Total Capital Assets being Depreciated (net)	 47,054,887	 11,392,760	 -	 58,447,647
 Land	 435,860	 675,000	 -	 1,110,860
Construction in Progress	<u>2,163,183</u>	<u>400,374</u>	<u>(1,837,549)</u>	<u>726,008</u>
 Total Capital Assets not being Depreciated	 2,599,043	 1,075,374	 (1,837,549)	 1,836,868
 Total Capital Assets (net)	<u>49,653,930</u>	<u>12,468,134</u>	<u>(1,837,549)</u>	<u>60,284,515</u>

**Note 6: Defined Benefit Pension Plan**

**A. Plan Description**

The District's defined benefit pension plan, 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 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 can be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

**B. Funding Policy**

Active plan members in the 2.7% @ 55 tier I plan are required to contribute 8% of all earnings in excess of \$133.33 per month. As a benefit to the District employees the District contributes the employee required contribution. For those employees hired on or after April 20, 2012 the District has implemented a 2% @ 55 tier 2 plan. which reduces the amount of employee contribution paid by the District to 7%. The district is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. For new employees hired after January 1, 2013 the District benefit formula changed to a 2% @ 62 tier III where the employee contributes the full employee contribution of 6.25% of all earnings in excess of \$133.33 per month. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year ended June 30, 2014 was 15.685% for tier I, 10.282% for tier II. 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.

**Note 6: Defined Benefit Pension Plan (continued)****C. Annual Pension Cost**

For fiscal year ended June 30, 2014, the district's annual pension cost for the CalPERS defined benefit plan was \$371,688 (net of employer paid member contributions). The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2013 actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, service and type of employment and (c) .25% merit adjustment. A 3.0% inflation adjustment was assumed.

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 three year period (smoothed market value). The plan has fully funded its actuarial accrued liability and has annually contributed sufficient funds to meet its commitment for the last three years.

**Note 7: Deferred Compensation Plan**

Employees of South Placer Municipal Utility District may elect to participate in a deferred compensation plan, as defined in the Internal Revenue Code Section 457. The contributions to the plan are voluntary. All amounts of compensation deferred under the plans, all property and rights purchased with these amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employees or beneficiaries) solely the property and rights of the employees and their beneficiaries. No part of the principal or income of the trust shall revert to the employer or be used for or diverted for purposes other than for the exclusive benefit of participants and their beneficiaries. The district has selected CalPERS as the third party administrators of the plan assets. Due to the fact that the District does not administer this plan, the plan activities are not included in the District financial statements. The District matches up to a maximum per pay period based on the most current contract with the General Manager and the most current Memorandum of Understanding with all other employees. The District's annual pension cost for the matching contributions under the 457 deferred compensation plan was \$34,200.

**Note 8: Post Retirement Health Care Benefits****Plan Description.**

South Placer Public Utility District's Post-Retirement Healthcare Plan is a single employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits and life insurance benefits to eligible retirees and their eligible dependents. The District approved post retirement health insurance benefits for all of its employees effective July 1, 2007 under the Public Employees' Medical and Hospital Care Act (PEMHCA). Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of employment with the District. For an employee retiring with 5 or more years of service with SPMUD, the District will contribute the health benefit cost for the retiree and family members up to 100% of the greater of the CalPERS family rate for PERS Choice or the CalPERS family rate for the highest cost HMO. A retiree with less than 5 complete years of service with the District receives no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the District's active employees, however monthly rates for coverage of covered active and retired employees are computed separately. As of June 30, 2014, there were 10 retired employees who qualified for the healthcare plan. The District also provides a life insurance benefit for each former employee with ten or more years of service who retires from the District. The amount of the life insurance benefit is \$15,000 (\$25,000 in the case of District management employees).

**Note 8: Post Retirement Health Care Benefits (continued)****Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2013 actuarial valuation, the entry age normal cost, level percent of pay funding method is used. The entry age normal cost method spreads plan costs for each participant from the entry date to the expected retirement date, of prior service costs. For retirees, the AAL is the present value of all projected benefits. The asset valuation method was based on market value of assets in the OPEB trust.

The actuarial assumptions included a 7.61% investment rate of return. The valuation assumes that 100% of eligible retirees will actually participate in the retiree medical benefit. The annual healthcare cost trend rate of 8.5% initially, decreasing approximately .5% per year until reaching an ultimate rate of 4.5% for fiscal year ending 2023 and later. It was assumed salary increases will be 3.25% per annum.

**Funding Policy**

The contribution requirement of the District to contribute to the plan is established and may be amended by the Board. Currently, employees are not required to contribute to the plan. The District's contributions are calculated on a pre funding basis using entry age normal cost, with investment gains and losses amortized over the remaining 26 year period with payments determined on a level percent of pay basis. The District has prefunded the actuarial accrued liability (AAL) based on a calculation of the annual required contribution certified by an actuarial valuation service. The District chose the California Employers Retiree Benefit Trust (CERBT) as the trustee for the plan. The District made the net contribution for fiscal year end June 30, 2014 by paying health insurance providers or reimbursing to the retiree premiums paid by the retiree. These reimbursements were not funded by CERBT.

**Annual OPEB Cost and Net OPEB Obligation.**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based all the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to South Placer Public Utility District's Healthcare Plan:

Retiree healthcare premium costs	\$ 163,477
Contribution to OPEB trust (accrual)	20,406
ARC for current fiscal year	<u>183,883</u>
Increase in net OPEB obligation (asset)	-
Net OPEB obligation (asset) - beginning of year	-
Net OPEB obligation (asset) - end or year	<u>-</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

**JUNE 30, 2014**

**Note 8: Post Retirement Health Care Benefits (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

Three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Funded</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 160,086	100 %	\$ -
June 30, 2013	165,289	100 %	-
June 30, 2014	183,883	100 %	-

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$3,496,648 and the unfunded actuarial accrued liability (UAAL) for benefits was \$315,579. The District's plan was considered fully funded at June 30, 2008 because the District made a retrospective adoption. prefunding the annual required contribution including the UAAL in the 2007-2008 fiscal year. While the initial unfunded actuarial accrued liability was fully funded as of June 30, 2008, investment losses and actual investment returns, compared to original assumptions, on the initial contribution created a \$315,579 unfunded accrued liability as of July 1, 2013 the most recent actuarial valuation date. The District has chosen to amortize the \$315,579 unfunded accrued liability over the remaining 26 year period with payments determined on a level percent of pay. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following schedule of funding progress shows multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

<u>Valuation Date</u>	<u>Actuarial Accrued Liabilities</u>	<u>Actuarial Accrued Assets</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
July 1, 2009	\$ 2,505,691	\$ 1,800,053	\$ 705,638	71.8%	\$1,346,985	52.4%
July 1, 2011	3,062,219	2,729,321	332,898	89.1%	1,387,068	24.0%
July 1, 2013	3,496,648	3,181,069	315,579	91.0%	1,425,554	22.1%

**Note 9: Joint Powers Agreement**

On October 1, 2000 the South Placer Wastewater Authority was created to finance and construct the new Pleasant Grove treatment plant along with expanding facilities at the Dry Creek plant and other regional facilities. The Authority is made up of the City of Roseville, Placer County and South Placer Municipal Utility District. The composition of the Board of Directors for the Authority is two directors appointed by the City of Roseville, two directors appointed by Placer County and one director appointed by South Placer Municipal Utility District. The agreement provides that the City will own and operate the regional facilities. The Authority originally issued a total of \$179,775,000 of fixed and variable rate bonds and later refunded to obtain more favorable interest rates in a combination of fixed, SIFMA Index and variable rate bonds. The agreement was also amended effective October 1, 2012. South Placer Municipal Utility District proportionate share decreased from its original allocation of 25% to 22.43% for the shared operating costs and debt service on these bonds. Bond payments are funded by regional connection fees charged by the District and remitted to the City of Roseville. Total connection fees collected by the District and paid to the Authority under this agreement, for the fiscal year ended June 30, 2014 was \$3,103,072. The financial statements for the South Placer Wastewater Authority are available online at [http://roseville.ca.us/gov/finance/general\\_accounting/spwa.asp](http://roseville.ca.us/gov/finance/general_accounting/spwa.asp)

The District is responsible for its share of maintenance and operation expenses incurred at the Regional Treatment plants based on the volume of flow from District lines as a percentage of total volume of flow into the plants. The total amount calculated for South Placer Municipal Utility District during the fiscal year ended June 30, 2014 for maintenance and operation expenses was \$3,513,935 and an additional \$1,204,220 for the Districts share of rehab project costs.

**Note 10: Commitments and Contingencies**

The District is responsible for maintenance and operation expenses incurred at the Regional Treatment plant based on the volume of flow from District lines as a percentage of total volume of flow into the plant. The share of the District cost is subject to periodic review and recalculations. The amount paid versus recalculated amounts can vary resulting in additional costs or credits to the District.

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

At June 30, 2014, the District had commitments with respect to various engineering services and construction projects.

During the year, an agreement was entered into by the District and local developers for installation of wastewater servicing facilities to the developer's projects. The developer constructed and installed the wastewater facilities at its own expense and thereafter dedicate said facilities to the District for public use, in return for partial reimbursement from construction fees actually collected over the next 10 years on the properties in the project. No contingent liability to the District is incurred for the uncollected portion of the agreed maximum amount.

<u>Project Name</u>	<u>Max Reimbursement</u>	<u>EDUs Benefited</u>
Sierra College Lift Station	\$1,094,218	1,020
CroftWood Subdivision	\$186,010	1,958

**SUPPLEMENTAL INFORMATION**

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT****SCHEDULE OF OPERATING EXPENSES**

(Audited)

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Administrative and General</u>	<u>Collection and Treatment</u>	<u>Technical Services</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>				
Repairs and maintenance	\$ -	\$ 4,638,554	\$ 8,595	\$ 4,647,149
Salaries and wages	411,016	959,435	398,212	1,768,663
Employee benefits	227,253	245,408	87,412	560,073
Retirement	78,700	232,387	94,801	405,888
Professional fees	209,247	16,629	107,374	333,250
Supplies	-	130,162	-	130,162
Insurance	95,021	-	-	95,021
Utilities	-	78,803	-	78,803
Bank charges	50,339	-	-	50,339
Memberships and licenses	17,014	249	5,724	22,987
Office expenses	10,652	-	-	10,652
Rental	-	1,486	-	1,486
Other operating expenses	<u>4,877</u>	<u>114,995</u>	<u>2,265</u>	<u>122,137</u>
<b>TOTAL OPERATING EXPENSES BEFORE DEPRECIATION</b>	<b>\$ <u>1,104,119</u></b>	<b>\$ <u>6,418,108</u></b>	<b>\$ <u>704,383</u></b>	<b>\$ <u>8,226,610</u></b>
Depreciation				<u>\$ 1,088,844</u>
<b>TOTAL OPERATING EXPENSES</b>				<b>\$ <u>9,315,454</u></b>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF OPERATIONS -BUDGET AND ACTUAL**  
(Audited)  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Sewer Charges	\$ 10,200,000	\$ 10,202,898	\$ 2,898
Connection Charges	400,000	1,005,529	605,529
Permits, Fees, and Inspections	<u>175,000</u>	<u>538,220</u>	<u>363,220</u>
<b>Total Fees and Charges</b>	<b>\$ 10,775,000</b>	<b>\$ 11,746,647</b>	<b>\$ 971,647</b>
 <b>OPERATING EXPENSES</b>			
Collection and Treatment	5,610,500	6,418,108	(807,608)
Administration and General	2,266,850	1,104,119	1,162,731
Technical Services	886,800	704,383	182,417
Depreciation	<u>1,030,000</u>	<u>1,088,844</u>	<u>(58,844)</u>
<b>Total Operating Expenses</b>	<b>\$ 9,794,150</b>	<b>\$ 9,315,454</b>	<b>\$ 478,696</b>
 <b>INCOME FROM OPERATIONS</b>	<b>\$ 980,850</b>	<b>\$ 2,431,193</b>	<b>\$ 1,450,343</b>
Tax Revenue	700,000	893,954	193,954
Interest income	500,000	545,196	45,196
Other revenue	<u>13,000</u>	<u>14,544</u>	<u>1,544</u>
<b>NET INCOME BEFORE TRANSFERS</b>	<b>\$ <u>2,193,850</u></b>	<b>\$ <u>3,884,887</u></b>	<b>\$ <u>1,691,037</u></b>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
South Placer Municipal Utility District

We have audited the accompanying financial statements of the business-type activities, of South Placer Municipal Utility District as of June 30, 2014, for the year then ended, and have issued our report thereon dated January 8, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered South Placer Municipal Utility District's internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies.

We noted the District had a lack of segregation of duties, as one person was capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities occurring without being detected.

**Compliance and other Matters**

As part of obtaining reasonable assurance about whether the South Placer Municipal Utility District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, the Placer County Auditor-Controller's Office and the Controller's Office of the State of California.

A handwritten signature in blue ink that reads "Stroub and Company".

Stroub & Company,  
Certified Public Accountants

January 8, 2015