

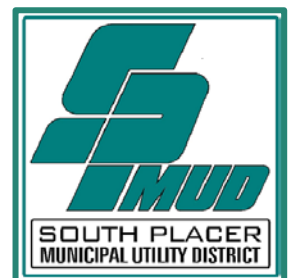


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015



South Placer Municipal Utility District
5807 Springview Drive, Rocklin CA 95677
www.spmud.ca.gov

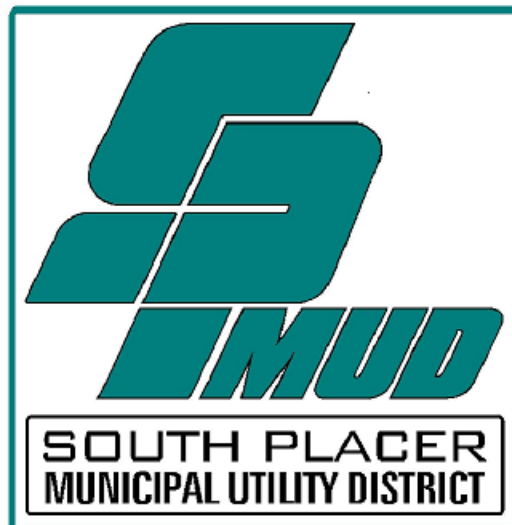


SOUTH PLACER MUNICIPAL UTILITY DISTRICT

Comprehensive Annual Financial Report

(Audited)

June 30, 2015



SOUTH PLACER MUNICIPAL UTILITY DISTRICT

June 30, 2015

(Audited)

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November 20, 2015

Members of the Board of Directors
South Placer Municipal Utility District

Directors:

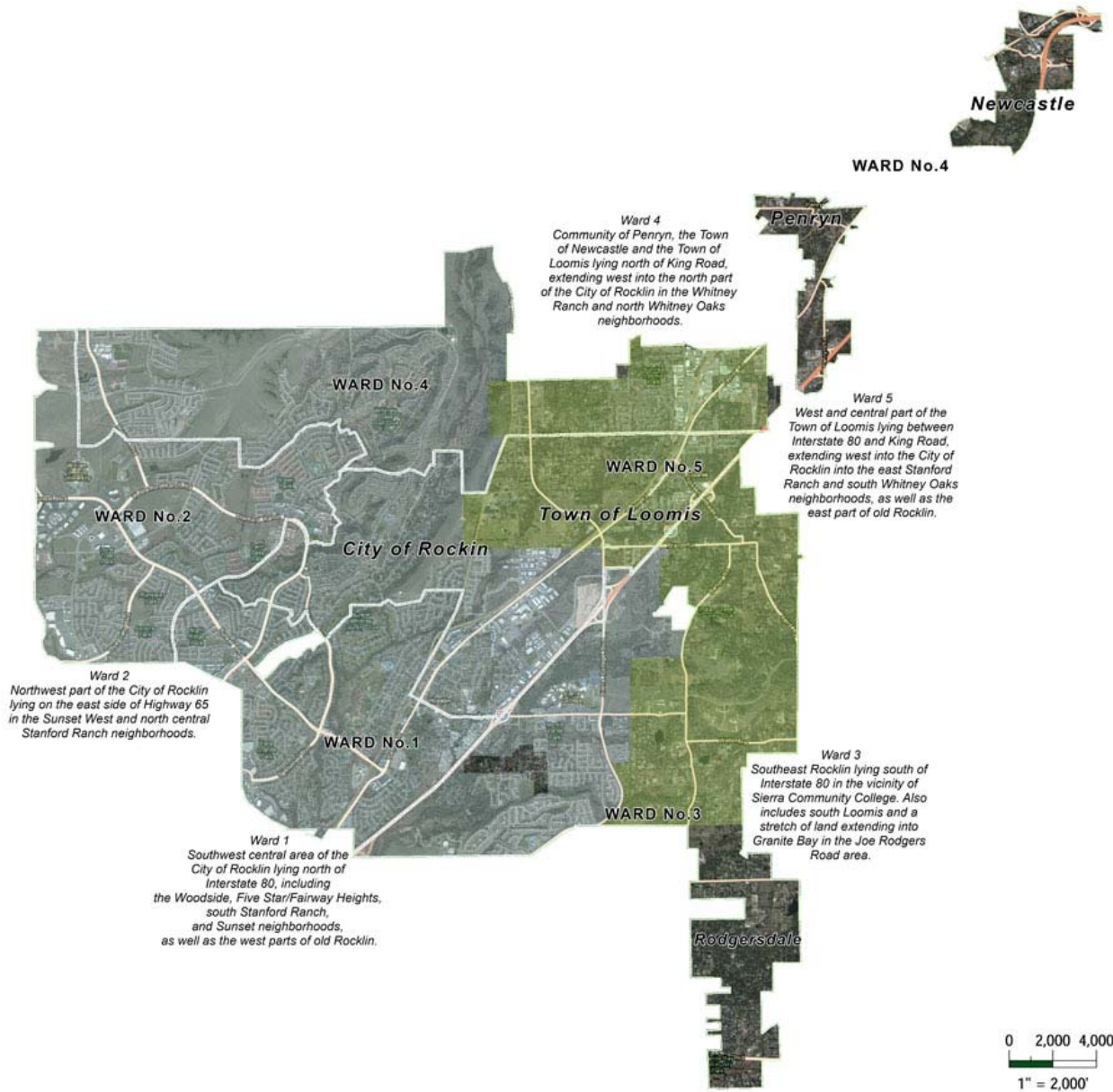
The South Placer Municipal Utility District is required by State statute to publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed 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, 2015. 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, 2015, 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, 2015, 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.

Herb Niederberger

General Manager



SOUTH PLACER MUNICIPAL UTILITY DISTRICT

June 30, 2015

(Audited)

Board of Directors

<u>Title</u>	<u>Name</u>	<u>Yrs of Service</u>	<u>Term</u>
<u>Elected Board of Directors</u>			
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
<u>Appointed Manager</u>			
General Manager	Herb Niederberger	1	1/2015- Current

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

OVERVIEW OF FINANCIAL STATEMENTS

The purpose of this Management's Discussion and Analysis (MDA) is to provide a fact-based summary of the financial status of the South Placer Municipal Utility District (District) from a management's perspective. This report provides an indication of the District's financial performance for fiscal year beginning on July 1, 2014 and ending June 30, 2015 (FY2014/15) and should be reviewed in conjunction with the audited financial statements, which follow this MDA.

DISTRICT OVERVIEW

The District provides sewer collection services in southwestern Placer County, CA and serves an estimated population of 75,000 residing in the City of Rocklin and Town of Loomis, and in the unincorporated communities of Penryn, Newcastle and the Rodgersdale area of Granite Bay. Sewage is collected by the District and conveyed to regional wastewater treatment plants operated by the City of Roseville. Ninety-two percent of the District's customers are residential, 4% commercial and 4% educational.

A significant change in the District financial programs from previous year's audits was the implementation of the Tyler Financial Management Software consisting of a financial/utility billing database program that began in FY2013/14 and continued into FY2014/15. The monthly service charge remained the same as did the Local Participation Fee.

Table 1 below compares major District statistics for the last two fiscal years.

TABLE 1: DISTRICT STATISTICS

Item	Unit	Fiscal Yr 2013/14	Fiscal Yr 2014/15	% Change over Previous
Service Charges	Dollars	\$ 10,203,000	\$ 10,758,026	5.4%
Customer Accounts	Each	20,930	21,108	0.9%
Equal Dwelling Units	EDU	30,900	31,241	1.1%
Service Fee per EDU	Monthly	\$28.00	\$28.00	0.0%
Annual Flow to WWTP	Million Gallons	1,495	1,500	0.3%
Sewer Mains	Miles	255.5	257.3	0.7%
Lower Service Laterals	Miles	135	139	2.7%
Manhole/Flushing Branch	Each	5,900	6,050	2.5%
Lift Stations	Each	13	13	0.0%
Force Mains	Miles	6.7	6.8	1.5%

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

While the District accounts grew about 1% over the previous year, the revenue derived from the District service charges increased 5.4%. Since the monthly service charge remained unchanged for FY 2014/15, this higher than anticipated growth in revenue is in part due to the replacement/implementation of our new financial & billing software and customer database.

FINANCIAL ANALYSIS OF THE DISTRICT

Revenues: Revenues for the past two fiscal years are summarized in **Table 2**. Per the Districts previously adopted five-year financing plan, the monthly service charge for FY 14 was scheduled to increase by \$2.00 (\$28.00 to \$30.00) per EDU in 2014; however, the District chose to defer this increase; not only for 2014 but also 2015. The District's Sewer Participation Fee was also reduced in 2014 from \$2,500 to \$2100 per EDU.

TABLE 2- REVENUE

GENERAL FUND	FISCAL YR 2013/14	FISCAL YR 2014/15	% Change over Previous
SEWER SERVICE CHARGES REVENUES	\$ 10,202,898	\$ 10,758,026	5.4%
PERMITS, PLAN CHECK FEES & INSPECTIONS	\$ 538,228	\$ 274,971	-48.9%
PROPERTY TAXES	\$ 893,954	\$ 686,237	-23.2%
INTEREST	\$ 64,757	\$ 62,489	-3.5%
GAIN ON SALE FIXED ASSET DISPOSAL	\$ -	\$ 1,570	
OTHER REVENUES	\$ 14,544	\$ -	-100.0%
TOTAL GENERAL FUND	\$ 11,714,381	\$ 11,783,293	0.6%
CAPITAL OUTLAY FUND			
SEWER PARTICIPATION FEES	\$ 1,005,529	\$ 888,198	-11.7%
INTEREST	\$ 480,439	\$ 451,475	-6.0%
LOAN REPAYMENT NSD - PRSC	\$ 357,240	\$ 65,706	-81.6%
DEPRECIATION TRANSFER FROM GENERAL FUND	\$ 1,088,844	\$ 1,163,361	6.8%
INTEREST FROM LOAN REPAYMENT NSD - PRSC	\$ (128,417)	\$ (129,039)	0.5%
TOTAL CAPITAL OUTLAY FUND	\$ 2,803,635	\$ 2,439,701	-13.0%
TOTAL SPMUD REVENUE	\$14,518,016	\$14,222,994	-2.0%

General Fund Revenues derived from customer service charges were up 5.4% over last year. Since customer growth was essentially static from the previous year, this increase customer revenue is in part due to the replacement/implantation of our new financial & billing software and customer database. General fund revenue derived from permits, plan check fees and inspections was down over 48.9% due to the reduced development activity over the previous year. Revenue derived from interest income on General Fund investments was down 3.5% while

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

property taxes revenue was down 23.2% reflecting the overall depressed state of the local economy. Total General Fund Revenue used to fund ongoing operations, maintenance and administrative functions of the District were essential unchanged (0.6%) from the previous year.

Capital Fund Revenue was slightly lower by 13% over previous due to the reduced development fee and activity within the District boundaries and reduced interest income from investment fund balances.

Total SPMUD revenue reported for FY 2014/15 showed a reduction of almost \$296,000 (2%) lower than the previous year.

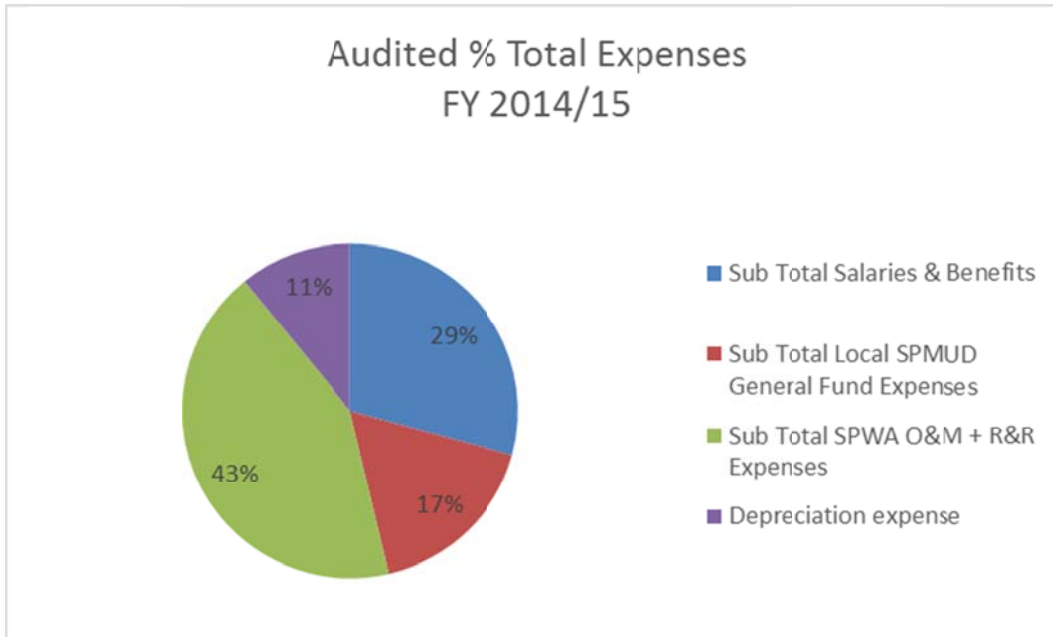
Expenses: Expenses for the past two fiscal years are summarized in Table 3.

TABLE 3 – EXPENSES

	FISCAL YR 2013/14	FISCAL YR 2014/15	% Change over Previous
Salaries/Wages	\$ 1,618,011	\$ 1,891,189	16.9%
FICA - Social Security	\$ 127,270	\$ 148,117	16.4%
CalPERS Retirement	\$ 371,688	\$ 378,230	1.8%
457 Retirement	\$ 36,850	\$ 44,150	19.8%
Insurance Benefits	\$ 393,690	\$ 486,146	23.5%
Pers OPEB	\$ 183,883	\$ 185,421	0.8%
Sub Total Salaries & Benefits	\$ 2,731,392	\$ 3,133,253	14.7%
Property & Liability Insurance	\$ 95,021	\$ 93,933	-1.1%
Professional Services	\$ 333,250	\$ 360,800	8.3%
Vehicle Repair and Maintenance	\$ 68,410	\$ 64,329	-6.0%
Professional Development	\$ 38,688	\$ 47,595	23.0%
Legal Services	\$ 109,765	\$ 63,679	-42.0%
Utility Billing/Banking Expense	\$ 50,339	\$ 147,194	192.4%
General Operating Supplies & Maintenance	\$ 150,014	\$ 155,007	3.3%
Gas & Oil Expenses	\$ 46,584	\$ 42,487	-8.8%
Utilities	\$ 78,803	\$ 97,376	23.6%
Repair/Maintenance Agreements	\$ 34,623	\$ 42,396	22.5%
Regulatory Compliance/Government Fees	\$ 22,987	\$ 28,396	23.5%
Other Operating Expenses	\$ 53,727	\$ 685,663	1176.2%
Sub Total Local SPMUD General Fund Expenses	\$ 1,082,211	\$ 1,828,855	69.0%
RWWTP Maintenance & Operations	\$ 3,404,043	\$ 3,614,539	6.2%
RWWTP Rehab & Replacement	\$ 1,204,220	\$ 976,978	-18.9%
Sub Total SPWA O&M + R&R Expenses	\$ 4,608,263	\$ 4,591,517	-0.4%
Total Operations Expense before Depreciation	\$ 8,421,866	\$ 9,553,625	13.4%
Depreciation expense	\$ 1,088,844	\$ 1,163,361	6.8%
Total General Fund Expenses	\$ 9,510,710	\$ 10,716,986	12.7%

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

General Fund Expenses are overwhelmingly influenced by the charges from SPWA to treat and discharge the sewage generated by SPMUD customers as currently SPWA charges consume 43% of the District's operational expenses. District salary and wages are the next single expense item with 29% of the budget, followed by the local O&M expenses and depreciation expense of 17% and 11% respectively.



General Fund Expenses increased from FY 2013/14 to FY 2014/15 by \$1.21 M (12.7%) from \$9.51M to \$10.72M. This increase resulted primarily due to;

- Salary and Benefit expenses were approximately \$0.5M (14.7%) over the previous year due to the retirement payouts of the previous General Manager and District Superintendent as well as redundant salary and wages and associated benefits incurred due to an overlap of employment for these positions
- Locally controlled expenses were almost uniformly higher than last year, notably expenses for utilities and other operating expenses.

Revenues of \$11.78M exceeded General Fund Expenses (not including Capital Outlays); of \$10.72M.

Capital Outlays: Another change over previous years is the categorization on Capital Outlays to their respective fund centers. For example, those projects designated as Capital Replacement & Rehabilitation projects would be funded by accumulated depreciation; those projects designated as Capital Improvement projects (CIP) and Expansion projects are funded through the accumulation of the Sewer Participation fee; the remainder of the District's projects would be pay-as-you-go through the General Fund. A list of the District's Capital Projects is included in **Table 4**.

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

TABLE 4- CAPITAL OUTLAY ACTIVITY

CAPITAL IMPROVEMENTS FY 14-15		Capital Replacement & Rehabilitation	General Fund Capital	CIP & Expansion
Admin Computer Workstation	\$ 4,160	\$ 4,160		
Software Upgrades	\$ 71,389	\$ 71,389		
Interior Painting	\$ 3,950	\$ 3,950		
Telephone System - VOIP	\$ 8,300	\$ 8,300		
CCTV Replacement	\$ 209,382	\$ 209,382		
Lift Station Pump Replacement	\$ 34,816	\$ 34,816		
Remote Site Control Improvements - SCADA	\$ 102,933		\$ 102,933	
Easement Roadway Upgrades	\$ 30,738	\$ 30,738		
Corporation Yard Improvements	\$ 53,554	\$ 53,554		
Replacement 580 Super E Backhoe	\$ 86,762	\$ 86,762		
Recondition Super L Backhoe	\$ 15,000	\$ 15,000		
Replacement of Mini-Cameras	\$ 28,204	\$ 28,204		
Replacement of Vibra-Plate Compactor	\$ 2,074	\$ 2,074		
Flail Mower Replacement	\$ 6,581	\$ 6,581		
Computer Equipment/Software - Field	\$ 11,000	\$ 11,000		
Computer Equipment/Software - Tech	\$ 9,291	\$ 9,291		
Data Acquisition - Lucity	\$ 33,296	\$ 33,296		
System Rehabilitation	\$ 116,642	\$ 116,642		
Safety Training Aids	\$ 1,945	\$ 1,945		
Office Furniture - Tech Services	\$ 1,425	\$ 1,425		
Lower Loomis 10" Trunk CIPP Liner Project	\$ 378,940			\$ 378,940
Lower Loomis Diversion Sewer - Prelim Study	\$ 69,998			\$ 69,998
Foothill Trunk Project - Design	\$ 141,190			\$ 141,190
Whitney Ranch Recorder	\$ 29,744			\$ 29,744
Smart Covers	\$ 9,981	\$ 9,981		
Water Quality Sampling Equipment	\$ 3,570		\$ 3,570	
Total Capital Improvements	\$ 1,464,865	\$ 738,490	\$ 106,503	\$ 619,872

The District expended \$1.46M in Capital Outlay during FY 2014/15 consisting of \$738,490 in Capital Replacement & Rehabilitation projects, \$106,503 in General Fund projects and \$619,872 in CIP & Expansion projects.

The District also received \$2.65M sewer asset contributions from new development. This included 1.80 miles of gravity sewer pipe, 200 manholes.

General Fund Summary: The total of the FY2014/15 General Fund Expenses (\$10.76M) and District's would be pay-as-you-go through the General Fund projects (\$0.106M) is approximately \$10.87M. As such, the annual FY2014/15 General Fund Revenues of \$11.73M exceeded annual expenses and Capital Outlay by \$0.95M. The District is planning on preparing a new 5-year Financial Plan and Forecast during the coming fiscal year

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

Reserves and Investments:

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). The District will revisit the Investment Policy in the coming fiscal year to determine how best to optimize these investment balances. An analysis of the District's Financial Statements for Cash and Investments are summarized in **Table 5**.

SPMUD Total cash and investments increased by almost \$1.35M (3.07%) over last year from \$44.31M to \$45.79M; The District will be drawing down some of these reserves in future years to fund ongoing pay-as-you-go construction projects and to conform with the District's adopted reserve policy.

TABLE 5- CASH & INVESTMENT BALANCES

CASH & INVESTMENT ACCOUNT BALANCES	FISCAL YR 2013/14	FISCAL YR 2014/15	% Change over previous
PLACER COUNTY TREASURY POOLED CASH - PCTIP	\$ 34,816,118	\$ 35,048,340	0.67%
LOCAL AGENCY INVESTMENT FUND - LAIF	\$ 7,496,264	\$ 9,763,453	30.24%
CHECKING ACCOUNT - CASH ON HAND	\$ 2,000,319	\$ 862,369	-56.89%
TOTAL CASH & INVESTMENTS (END OF FY)	\$ 44,312,701	\$ 45,674,162	3.07%

ECONOMIC FACTORS AND FISCAL YEAR 2015/16 BUDGET OVERVIEW

A comparison of previous year's results and the adopted budget for Fiscal Year 2015/16 are included in **Tables 6** through **8**.

Revenue - The Economic forecast for growth within the District's service area boundaries looks favorable. There is now a backlog of development proposal under review which should allow the District to add about 500 EDUs during the next fiscal year, The Federal Government has kept its benchmark interest rate at a range between zero and one-quarter percent and this will continue to depress interest income received on investments. The District will be reviewing its investment policy to enhance revenue potential through diversification of the investment portfolio. Accounting for all revenue sources indicates that revenues will continue to be flat. Staff anticipates the preparation of a 5-year financial plan during the coming year.

Table 6 indicates past revenue collection compared to the Budget for Fiscal Year 2015/16

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

**TABLE 6- FY 2015/16 BUDGET REVIEW
SPMUD REVENUE**

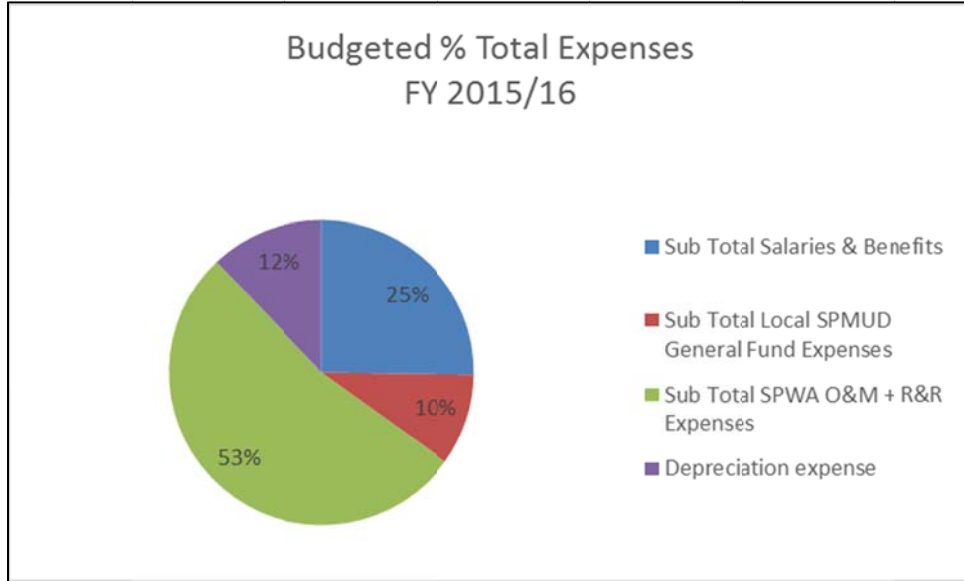
SPMUD REVENUE	FISCAL YR 2013/14	FISCAL YR 2014/15	BUDGETED FISCAL YR 2015/16
Total General Fund Revenue	\$ 11,714,381	\$ 11,733,493	\$ 11,567,500
Total Capital Outlay Fund Revenue	\$ 3,060,469	\$ 2,809,429	\$ 3,122,100
TOTAL SPMUD REVENUE	\$ 14,774,850	\$ 14,542,922	\$ 14,689,600

**TABLE 7- FY 2015/16 BUDGET REVIEW
GENERAL FUND EXPENSES**

GENERAL FUND EXPENSES	FISCAL YR 2013/14	FISCAL YR 2014/15	BUDGETED FISCAL YR 2015/16
Salaries/Wages	\$ 1,618,011	\$ 1,891,189	\$ 1,660,000
FICA - Social Security	\$ 127,270	\$ 148,117	\$ 128,000
CalPERS Retirement	\$ 371,688	\$ 378,230	\$ 336,000
457 Retirement	\$ 36,850	\$ 44,150	\$ 40,000
Insurance Benefits	\$ 393,690	\$ 486,146	\$ 448,000
Pers OPEB	\$ 183,883	\$ 185,421	\$ 200,000
Sub Total Salaries & Benefits	\$ 2,731,392	\$ 3,133,253	\$ 2,812,000
Property & Liability Insurance	\$ 95,021	\$ 93,933	\$ 100,000
Professional Services	\$ 333,250	\$ 360,800	\$ 164,000
Vehicle Repair and Maintenance	\$ 68,410	\$ 64,329	\$ 56,000
Professional Development	\$ 38,688	\$ 47,595	\$ 58,000
Legal Services	\$ 109,765	\$ 63,679	\$ 100,000
Utility Billing/Banking Expense	\$ 50,339	\$ 147,194	\$ 129,000
General Operating Supplies & Maintenance	\$ 150,014	\$ 155,007	\$ 216,800
Gas & Oil Expenses	\$ 46,584	\$ 42,487	\$ 50,000
Utilities	\$ 78,803	\$ 97,376	\$ 92,000
Repair/Maintenance Agreements	\$ 34,623	\$ 42,396	\$ 67,800
Regulatory Compliance/Government Fees	\$ 22,987	\$ 28,396	\$ 30,000
Other Operating Expenses	\$ 53,727	\$ 685,663	\$ 25,000
Sub Total Local SPMUD General Fund Expenses	\$ 1,082,211	\$ 1,828,855	\$ 1,088,600
RWWTP Maintenance & Operations	\$ 3,404,043	\$ 3,614,539	\$ 4,526,131
RWWTP Rehab & Replacement	\$ 1,204,220	\$ 976,978	\$ 1,369,281
Sub Total SPWA O&M+ R&R Expenses	\$ 4,608,263	\$ 4,591,517	\$ 5,895,412
Total Operations Expense before Depreciation	\$ 8,421,866	\$ 9,553,625	\$ 9,796,012
Depreciation expense	\$ 1,088,844	\$ 1,163,361	\$ 1,350,600
Total General Fund Expenses	\$ 9,510,710	\$ 10,716,986	\$ 11,146,612

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

General Fund Expenses will continue to be influenced by the charges from SPWA to treat and discharge the sewage generated by SPMUD customers as currently SPWA charges are projected to rise to 53% of the Districts operational expenses. District salary and wages will drop to 29% of the budget, followed by depreciation expense and the local O&M expenses of 12% and 10% respectively.



**TABLE 8- FY 2015/16 BUDGET REVIEW
CAPITAL INVESTMENT**

CAPITAL INVESTMENT	FISCAL YR 2013/14	FISCAL YR 2014/15	BUDGETED FISCAL YR 2015/16
CIP	\$ 593,000	\$ 619,872	\$ 2,360,000
R&R	\$ 1,039,575	\$ 738,490	\$ 684,600
Sub-Total Capital Outlay	\$ 1,632,575	\$ 1,358,362	\$ 3,044,600
General Fund Improvements	\$ 31,330	\$ 106,503	\$ 756,500
Total Annual Investment	\$ 1,663,905	\$ 1,464,865	\$ 3,801,100

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 MOU's for employees and management was negotiated in FY14 for FY15 thru FY17 and Cost of Living Increases are tied Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in Pacific Cities and U.S. City Average. Management has elected to forego seasonal hiring of temporary workers as a cost savings measure. There is only one anticipated retirement on the horizon which may result in a retirement buy-out of unused accrued leave.

**South Placer Municipal Utility District
Management's Discussion and Analysis**
For the Fiscal Year Ending June 30, 2015 (FY 2014/15)

Expenses - Indexes for fuel oil, gasoline, electricity, and natural gas have been declining which is helping to keep those related costs down. The district has been successful keeping a cap on locally controlled expenses as well. Total charges from SPWA continue to rise, although the District expects them to drop in the coming years. The drought has impacted flows to sewers which may necessitate a review of the sewage allocation to the RWWTP by the SPWA partners.

Capital – The District anticipates increase capital facility construction in the coming years with the installation of the Foothill Trunk and the Loomis Basin Diversion Trunk. The District has sufficient funds available to construct these facilities on a pay-as-you-go and does not anticipate the need to secure debt to finance these upcoming projects. The District will be drawing down some of these reserves in future years to fund these ongoing construction projects and to conform with the District's adopted reserve policy.

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.



1555 River Park Drive Suite 106 Sacramento, CA 95815

916.774.4675 Fax 916.218.6282 Email paul@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, 2015 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 13 and budgetary comparison information on page 41 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 November 20, 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

November 20, 2015

BASIC FINANCIAL STATEMENTS

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION
(Audited)
AS OF JUNE 30, 2015

	South Placer Operating Fund	Capital Maintenance Fund	Total
ASSETS			
CURRENT			
Cash and Cash Equivalents	\$ 5,178,196	\$ -	\$ 5,178,196
Short Term Investments	9,763,453	30,732,513	40,495,966
Accounts Receivable (Net of Allowance for Doubtful Accounts)	4,018,534	-	4,018,534
Interest Receivable		21,640	21,640
Refund Receivable	-	1,536,167	1,536,167
Note Receivable, Current	-	65,706	65,706
Prepaid Expenses	15,165	-	36,805
Total Current Assets	18,975,348	32,356,026	51,353,014
FIXED ASSETS			
Depreciable Capital Assets(net)	61,176,288	-	61,176,288
Non Depreciable Capital Assets	1,185,605	-	1,185,605
TOTAL FIXED ASSETS (NET)	62,361,893	-	62,361,893
Note Receivable, Net of Current Portion	-	5,095,759	5,095,759
TOTAL ASSETS	\$ 81,337,241	\$ 37,451,785	\$ 118,789,026
LIABILITIES & NET POSITION			
CURRENT			
Accounts Payable	\$ 906,572	\$ -	\$ 906,572
Other Accrued Liabilities	114,348	-	114,348
OPEB Liability	23,669	-	23,669
Compensated Absences	145,400	-	145,400
Note Payable, Current	65,706	-	65,706
Deferred Participation Agreements	-	154,516	154,516
TOTAL CURRENT LIABILITIES	1,255,695	154,516	1,410,211
Note Payable, Net of Current Portion	5,095,759	-	5,095,759
Deferred Participation Agreements	-	589,339	589,339
Aggregate Net Pension Liability	2,403,545	-	2,403,545
TOTAL LIABILITIES	8,754,999	743,855	9,498,854
DEFERRED INFLOWS OF RESOURCES			
Deferred Concession Arrangement Receipts	768,873	-	768,873
NET POSITION			
Net Investment in Capital Assets	57,266,134	-	57,266,134
Restricted Funds	-	5,095,759	5,095,759
Unrestricted Fund Balance	14,547,235	31,612,171	46,159,406
TOTAL NET POSITION	\$ 71,813,369	\$ 36,707,930	\$ 108,521,299
TOTAL LIABILITIES & NET POSITION	\$ 81,337,241	\$ 37,451,785	\$ 118,789,026

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)
AS OF JUNE 30, 2015

	South Placer Operating Fund	Capital Maintenance fund	Total
REVENUES			
Sewer Charges	\$ 10,758,026	\$ -	\$ 10,758,026
Connection Charges	-	888,198	888,198
Permits, Fees, and Inspections	274,971	-	274,971
Total Fees and Charges	\$ 11,032,997	\$ 888,198	\$ 11,921,195
OPERATING EXPENSES			
Collection and Treatment	5,157,777	1,245,537	6,403,314
Administration and General	1,285,456	46,753	1,332,209
Technical Services	1,818,102	-	1,818,102
Depreciation	1,163,361	-	1,163,361
Total Operating Expenses	\$ 9,424,696	\$ 1,292,290	\$ 10,716,986
INCOME (LOSS) FROM OPERATIONS	\$ 1,608,301	\$ (404,092)	\$ 1,204,209
Tax Revenue	686,237	-	686,237
Interest Income	62,489	451,475	513,964
Interest Expense	(129,039)	-	(129,039)
Net Income (Loss) Before Transfers	\$ 2,227,988	\$ 47,383	\$ 2,275,371
Net Transfers from Operating Fund	-	1,027,284	1,027,284
Net Transfers to Capital Maintenance Fund	(1,027,284)	-	(1,027,284)
Capital Contributions	2,651,181	-	2,651,181
CHANGE IN NET POSITION	\$ 3,851,885	\$ 1,074,667	\$ 4,926,552
Net Position, Beginning of Year	\$ 71,133,902	\$ 35,633,263	\$ 106,767,165
Prior Period Adjustment (Note 10)	(3,172,418)	-	(3,172,418)
Net Position, Beginning of Year (Revised)	67,961,484	35,633,263	103,594,747
Net Position, End of Year	\$ 71,813,369	\$ 36,707,930	\$ 108,521,299

The notes to the financial statements are an integral part of these financial statements.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
(Audited)
AS OF JUNE 30, 2015

	South Placer Operating Fund	Capital Maintenance Fund	Total
Cash Provided by Operating Activities			
Cash Receipts from Customers (non-agency)	\$ 10,537,428	\$ 951,931	\$ 11,489,359
Payments for Employee Services	(2,987,857)	-	(2,987,857)
Payments to Suppliers for Goods and Services	(1,345,749)	(149,337)	(1,495,086)
Payments to City of Roseville (non-agency)	<u>(4,098,779)</u>	<u>(1,956,905)</u>	<u>(6,055,684)</u>
Cash Provided by (used in) Operations	\$ 2,105,043	\$ (1,154,311)	\$ 950,732
Cash Flows from Financing Activities			
Cash Flows from Noncapital Financing Activities:			
Tax Revenue	\$ 686,237	-	\$ 686,237
Net Transfers to Capital Maintenance Fund	(1,027,284)	-	(1,027,284)
Net Transfers from Operating Fund	-	1,027,284	1,027,284
Cash Flows from Capital Financing Activities:			
Contributed Assets	2,651,181	-	2,651,181
Note Payable	<u>25,115</u>	<u>(25,115)</u>	<u>-</u>
Cash Flows Provided by Financing Activities	\$ 2,335,249	\$ 1,002,169	\$ 3,337,418
Cash Flows from Investing Activities			
Interest Income	\$ 62,489	\$ 451,475	\$ 513,964
Interest Expense	(129,039)	-	(129,039)
Additions to Fixed Assets	<u>(3,240,739)</u>	<u>-</u>	<u>(3,240,739)</u>
Cash Flows Provided by (Used in) Investing Activities	\$ (3,307,289)	\$ 451,475	\$ (2,855,814)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,133,003	\$ 299,333	\$ 1,432,336
Net Cash and Cash Equivalents - Beginning of Year	\$ 13,808,646	\$ 30,433,180	\$ 44,241,826
Net Cash and Cash Equivalents - End of Year	\$ 14,941,649	\$ 30,732,513	\$ 45,674,162

The notes to the financial statements are an integral part of these financial statements.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
(Audited)
AS OF JUNE 30, 2015

	<u>South Placer</u> <u>Operating Fund</u>	<u>Capital</u> <u>Maintenance</u> <u>Fund</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Income (Loss) From Operations	\$ 1,608,301	\$ (404,092)	\$ 1,204,209
Items Not Requiring An Outlay of Cash:			
Depreciation	\$ 1,163,361	\$ -	\$ 1,163,361
Changes in Working Capital:			
Accounts Receivable	\$ (495,569)	\$ 63,733	\$ (431,836)
Interest Receivable	-	(21,640)	(21,640)
Refund Receivable	-	(1,536,167)	(1,536,167)
Prepaid Expenses	4,133	-	4,133
Accounts Payable	(89,090)	-	(89,090)
Accrued Expenses	(59,219)	-	(59,219)
OPEB Liability	(24,083)	-	(24,083)
Compensated Absences	<u>(2,791)</u>	<u>743,855</u>	<u>741,064</u>
Adjustments to Working Capital	\$ <u>(666,619)</u>	\$ <u>(750,219)</u>	\$ <u>(1,416,838)</u>
Cash Provided by (Used in) Operations	\$ <u>2,105,043</u>	\$ <u>(1,154,311)</u>	\$ <u>950,732</u>

The notes to the financial statements are an integral part of these financial statements.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

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

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

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

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).

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.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)**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. At June 30, 2015, all of the restricted net position consisted of total outstanding Newcastle Sanitary District (NSD) loan receivable balance. South Placer Municipal Utility District and Newcastle Sanitary District have entered into agreements relating to the annexation of the NSD service area to SPMUD and the financing of the 'NSD project' costs associated with the annexation required the creation of the Newcastle Special Benefit Area (NSBA) for the adoption of levying of a project-related service charge (PRSC) for the repayment of said financing. Under SPMUD ordinances 09-02 and 13-11, PRSC should be used exclusively to repay the principal and interest on the amount repayable.

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.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Audited)

June 30, 2015

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:

<u>Assets</u>	<u>Useful Life</u>
Buildings	15-25 years
Sewer system	75 years
General equipment	10-20 years
Office Furniture and vehicles	5-15 years

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: Cash and Investments

Cash and equivalents as reported on the balance sheet at June 30, 2015, consisted of the following:

<u>Component</u>	<u>Amounts</u>
General Checking	\$ 819,921
LAIF Account	9,763,453
Placer County Treasury	<u>35,090,787</u>
Total cash and equivalents	\$ <u>45,674,161</u>

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.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 2: Cash and Investments (continued)**A. Investments Authorized by the California Government Code and the Entity's Investment Policy (continued)**

<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 Million
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	\$ 9,763,453	\$ 9,763,453	-
Placer County Pooled Cash	35,090,787	35,090,787	-
Totals	\$ 44,854,240	\$ 44,854,240	-

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.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

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 or 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, 2015, the District's deposits balance was \$937,755 and the carrying amount was \$819,921. 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.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 3: Note Receivable and Note Payable

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.

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, 2015, was \$5,161,465. 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: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	June 30, 2014	Additions	Retirements	June 30, 2015
Buildings	\$ 3,173,847	\$ -	\$ -	3,173,847
Sewer System	69,626,206	3,552,099	-	73,178,305
Equipment	1,087,241	90,778	-	1,178,019
Office Furniture	200,584	-	(5,500)	195,084
Vehicles	1,362,852	208,625	(18,482)	1,552,995
Less Accumulated Depreciation	<u>(16,962,583)</u>	<u>(1,163,361)</u>	<u>23,982</u>	<u>(18,101,962)</u>
Total Capital Assets being Depreciated (net)	58,488,147	2,688,141	-	61,176,288
Land	1,110,860	28,375	-	1,139,235
Construction in Progress	<u>726,008</u>	<u>-</u>	<u>(679,638)</u>	<u>46,370</u>
Total Capital Assets not being Depreciated	1,836,868	28,375	(679,638)	1,185,605
Total Capital Assets (net)	<u>\$ 60,325,015</u>	<u>\$ 2,716,516</u>	<u>\$ (679,638)</u>	<u>\$ 62,361,893</u>

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 5: 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.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 5: Defined Benefit Pension Plan (continued)**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At June 30, 2014, reported a net pension asset of \$0 and a net pension liability of \$2,403,545.

	Proportionate Share	Net Pension Asset	Net Pension Liability
PERF C - Miscellaneous Second Tier Program	0.00004%	\$ -	\$ 2,761
PERF C - Miscellaneous Program	0.03858%	\$ -	\$ 2,400,776
PERF C - PEPRAs Miscellaneous Program	0.00000%	\$ -	\$ 8
Total Net Pension Asset / Liability		\$ -	\$ 2,403,545

The net pension and asset liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of July 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers.

For the year ended June 30, 2014, recognized pension expense of \$207,192 and pension income of \$902. At June 30, 2014, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 807,704
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 47,671	\$ 8,840
Contributions subsequent to the measurement date	\$ -	\$ -
Total	\$ 47,671	\$ 816,544

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 5: Defined Benefit Pension Plan (continued)**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2015	\$ (188,700)
2016	\$ (188,058)
2017	\$ (191,347)
2018	\$ (201,926)
2019	\$ -
Thereafter	\$ -

Actuarial Assumptions: The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions were based on CalPERS' specific data that includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 5: Defined Benefit Pension Plan (continued)**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for major asset class are summarized in the following table:

	New Strategic Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Totals	100.00%		27.62%
		Inflation	2.50%
		Expected Arithmetic Nominal Return	3.00%

The 7.50% assumed investment rate of return is comprised of an inflation of 2.50%, a real return of 5.00% that is net of investment expense.

Discount rate:

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 5: Defined Benefit Pension Plan (continued)**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)**

report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:

The following represents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	Discount Rate -1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
Plan's Net Pension Liability/(Asset)	\$ 4,282,374	\$ 2,403,545	\$ 844,295

Note 6: 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 \$32,600.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 7: 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, 2015, there were 15 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).

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, 2015 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 7.28% 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 3.00% per annum.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 7: Post Retirement Health Care Benefits (continued)**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 24 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, 2015 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	\$	161,824
Amortization of UAAL		113,283
Interest to Fiscal Year End		<u>20,027</u>
ARC for Current Fiscal Year		<u>295,134</u>
Decrease in Net OPEB Obligation (Asset)		24,083
Net OPEB Obligation (Asset) - Beginning of Year		<u>47,752</u>
Net OPEB Obligation (Asset) - End of Year	\$	<u>23,669</u>

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:

SOUTH PLACER MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Audited)

June 30, 2015

Note 7: Post Retirement Health Care Benefits (continued)

	Annual OPEB Cost	% of Annual OPEB Cost Funded	Net OPEB Obligation
June 30, 2013	165,289	100%	-
June 30, 2014	183,883	100%	-
June 30, 2015	295,134	100%	-

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$5,596,626 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,770,730. 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 \$1,770,730 unfunded accrued liability as of July 1, 2015 the most recent actuarial valuation date. The District has chosen to amortize the \$1,770,730 unfunded accrued liability over the remaining 24 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.

Valuation Date	Actuarial Accrued Liabilities	Actuarial Accrued Assets	Unfunded Actuarial Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
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	91.1%	\$ 1,425,554	22.1%
July 1, 2015	\$ 5,596,626	\$ 3,825,896	\$ 1,770,730	68.0%	\$ 1,671,388	105.9%

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 8: 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, 2015 was \$6,055,684. The financial statements for the South Placer Wastewater Authority are available online at 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, 2015 for maintenance and operation expenses was \$4,098,779 and an additional \$1,956,905 for the Districts share of rehab project costs.

Note 9: 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, 2015, the District had commitments with respect to various engineering services and construction projects.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

(Audited)

June 30, 2015

Note 9: Commitments and Contingencies (continued)

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 dedicated 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</u> <u>Reimbursement</u>	<u>EDUs Benefited</u>
Rocklin 60 – Phase I Subdivision	\$ 68,255	46

Note 10: Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB 68, as amended by GASB statement No. 71.

Net Position as previously reported at June 30, 2014:	\$ 106,767,165
Prior period adjustment:	
Net Pension Liability (measurement date as of June 30, 2013)	\$ (2,403,545)
Deferred inflows:	
Concession arrangement receipts during fiscal year 2014	\$ (768,873)
Total prior period adjustment	<u>\$ (3,172,418)</u>
Net position as restated, July 1, 2014	<u><u>\$ 103,594,747</u></u>

SUPPLEMENTAL INFORMATION

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

(Audited)

AS OF JUNE 30, 2015

	<u>Administrative and General</u>	<u>Collection and Treatment</u>	<u>Technical Services</u>	<u>Total</u>
OPERATING EXPENSES				
Repairs and Maintenance	\$ -	\$ 4,473,063	\$ 20,890	\$ 4,493,953
Salaries and Wages	453,029	1,026,663	559,616	2,039,308
Employee Benefits	331,443	209,387	130,737	671,567
Retirement	89,116	210,468	122,798	422,382
Professional Fees	263,526	13,584	83,690	360,800
Supplies	-	-	13	13
Insurance	93,933	-	-	93,933
Utilities	-	97,376	-	97,376
Bank Charges	-	-	60,028	60,028
Memberships and Licenses	19,653	-	240	19,893
Office Expenses	11,565	-	-	11,565
Rental	-	350	-	350
Other Operating Expenses	<u>69,944</u>	<u>372,423</u>	<u>840,090</u>	<u>1,282,457</u>
EXPENSES BEFORE DEPRECIATION				
	\$ <u>1,332,209</u>	\$ <u>6,403,314</u>	\$ <u>1,818,102</u>	\$ <u>9,553,625</u>
Depreciation			\$ <u>1,163,361</u>	
TOTAL OPERATING EXPENSES			<u>\$ 10,716,986</u>	

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
(Audited)
AS OF JUNE 30, 2015

Revenues	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Sewer Charges	\$ 10,930,000	\$ 10,758,026	\$ 171,974
Connection Charges	1,570,000	888,198	681,802
Permits, Fees, and Inspections	<u>750,000</u>	<u>274,971</u>	<u>475,029</u>
Total Fees and Charges	\$ 13,250,000	\$ 11,921,195	\$ 1,328,805
OPERATING EXPENSES			
Collection and Treatment	\$ 3,723,300	\$ 6,403,314	\$ (2,680,014)
Administration and General	4,850,000	1,332,209	3,517,791
Technical Services	5,950,000	1,818,102	4,131,898
Depreciation	<u>-</u>	<u>1,163,361</u>	<u>(1,163,361)</u>
Total Operating Expenses	\$ 14,523,300	\$ 10,716,986	\$ 3,806,314
LOSS FROM OPERATIONS	\$ (1,273,300)	\$ 1,204,209	\$ (2,477,509)
Tax Revenue	675,000	686,237	(11,237)
Interest Income	310,000	513,964	(203,964)
Interest Expense	-	(129,039)	129,039
Other Revenue	<u>18,000</u>	<u>-</u>	<u>18,000</u>
NET INCOME BEFORE TRANSFERS	\$ (270,300)	\$ 2,275,371	\$ (2,545,671)

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Audited)
AS OF JUNE 30, 2014
LAST 10 FISCAL YEARS *

	Miscellaneous Second Tier Plan	Miscellaneous Plan	PEPRA Miscellaneous Plan
Proportion of the net pension liability (asset)	0.00004%	0.03858%	0.00000%
Proportionate share of the net pension liability (asset)	\$ 2,761	\$ 2,400,776	\$ 8
Covered employee payroll	\$ 134,654	\$ 1,418,993	\$ 28,754
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.05%	169.19%	0.03%
Plan fiduciary net position as a percentage of the total pension liability	83.03%	83.03%	82.98%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

SOUTH PLACER MUNICIPAL UTILITY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Audited)
AS OF JUNE 30, 2014
LAST 10 FISCAL YEARS *

	Miscellaneous Second Tier Plan	Miscellaneous Plan	PEPRA Miscellaneous Plan
Contractually required contribution	\$ 12,569	\$ 224,826	\$ 5,072
Contributions in relation to the contractually required contribution	<u>\$ (12,569)</u>	<u>\$ (224,826)</u>	<u>\$ (5,072)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 134,654	\$ 1,418,993	\$ 28,754
Contributions as a percentage of covered-employee payroll	9.33%	15.84%	17.64%

* Amounts presented were determined as of calendar year January 1 – December 31. Employers will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure information.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY**

(Audited)

June 30, 2015

Note 1: Change in Benefit Terms

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Note 2: Change in Assumptions

None



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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, 2015, for the year then ended, and have issued our report thereon dated November 20, 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". The signature is written in a cursive, flowing style.

Stroub & Company,
Certified Public Accountants

November 20, 2015