

**SOUTH PLACER  
MUNICIPAL UTILITY DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL  
STATEMENTS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2018**

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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**SOUTH PLACER  
MUNICIPAL UTILITY  
DISTRICT**

**REPORT OF THE BOARD OF DIRECTORS  
SECTION  
FISCAL YEAR ENDING  
JUNE 30, 2018**



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT**  
**5807 Springview Drive, Rocklin, CA 95677**  
**(916) 786-8555**  
**Fax: (916) 786-8553**

## TRANSMITTAL LETTER

November 12, 2018

To the Honorable SPMUD Board Directors

The South Placer Municipal Utility District (the District) staff submits to you the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. The CAFR provides an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information. This letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it.

The District's financial statements were audited by Mann, Urrutia, Nelson, Certified Public Accountants. Management believes the Annual Financial Report is complete and accurate in all material respects. Internal controls through policies and procedures and the services of an outside Accountant safeguard assets and assure proper recording and reporting of transactions using Generally Accepted Accounting Principles.

### **DISTRICT OVERVIEW**

The Rocklin-Loomis Municipal Utility District was created in 1956 to provide sanitary sewer service to Rocklin and Loomis. The District is divided into five wards and governed by an elected five-member Board of Directors whom establish

policy and oversee the General Manager, who manages the day-to-day operations.

In the 1970's the District decommissioned its sewage treatment facilities and began using the City of Roseville (City) Dry Creek Wastewater Treatment Plant (DCWWTP).

In the 1980's, the name changed to South Placer Municipal Utility District to reflect its larger service area. In 2000, the District, the City of Roseville and Placer County (PC) created the South Placer Wastewater Authority (SPWA) to finance the construction of the Pleasant Grove Wastewater Treatment Plant (PG WWTP).

In 2008, SPMUD boundaries expanded to match the incorporated town limits of Loomis, and in 2010, SPMUD annexed the Newcastle Sanitary District (NSD) area. The District provides sewer collection services in southwestern Placer County, CA and currently serves residents and businesses in the City of Rocklin and Town of Loomis, and in the unincorporated communities of Penryn, Newcastle and the Rogersdale area of Granite Bay. Sewage is collected by the District and conveyed to regional wastewater treatment plants (WWTP) operated by the City of Roseville.

The SPMUD service area covers 31 square miles as shown in Figure 1 The District provides service to 22,775 customers (80%

residential and 20% commercial); this equates to 33,445 Equivalent Dwelling Units (EDU) or an equivalent population of about 75,000 people. Our customers discharge an average sewer flow of about five million gallons per day. The District collects the sewage through customer owned sewer laterals (the pipe connecting their building sewer to the sewer mainlines) and transports this via 276.9 miles of District owned and operated sewer mains (from 4" to 42" diameter). The District maintains an additional 103.3 miles of lower laterals within our easement or public right-of-way. Other assets include our Headquarters, Maintenance and Corporation Yard facilities, 6399 manholes/flushing branches, 13 lift stations, 12 metering sites, and related buildings, facilities and equipment. During FY 2017/18 the monthly service charges increased on October 1, 2017 and June 30, 2018, to the current rate of \$34.00 per month. Local Participation Fees increased on June 30, 2018 to \$3,923 per equivalent dwelling unit (EDU).

## **INVESTING IN INFRASTRUCTURE**

The District's customers have high expectation from the Board of Directors. They expect sewage to be contained in the pipes, to be treated efficiently and disposed of effectively. The District has developed a High-Risk Facilities (HRF) Program that meets the requirements of provision D.13.vi.c of the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-003 (SSS WDR), which requires sewer systems to develop a rehabilitation and replacement plan to identify and prioritize system deficiencies and implement short-term and long-term rehabilitation actions to address each deficiency. The program includes regular visual and TV inspections of manholes and sewer pipes, and a system for ranking the

condition of sewer pipes and scheduling rehabilitation. Rehabilitation and replacement focus on sewer pipes that are at risk of collapse or prone to more frequent blockages due to pipe defects. Finally, the rehabilitation and replacement plan includes a capital improvement plan that addresses proper management and protection of the infrastructure assets.

### **SPMUD MISSION**

- PROTECT public health and the water environment.
- PROVIDE efficient and effective sanitary sewer service.
- PREPARE for the future.

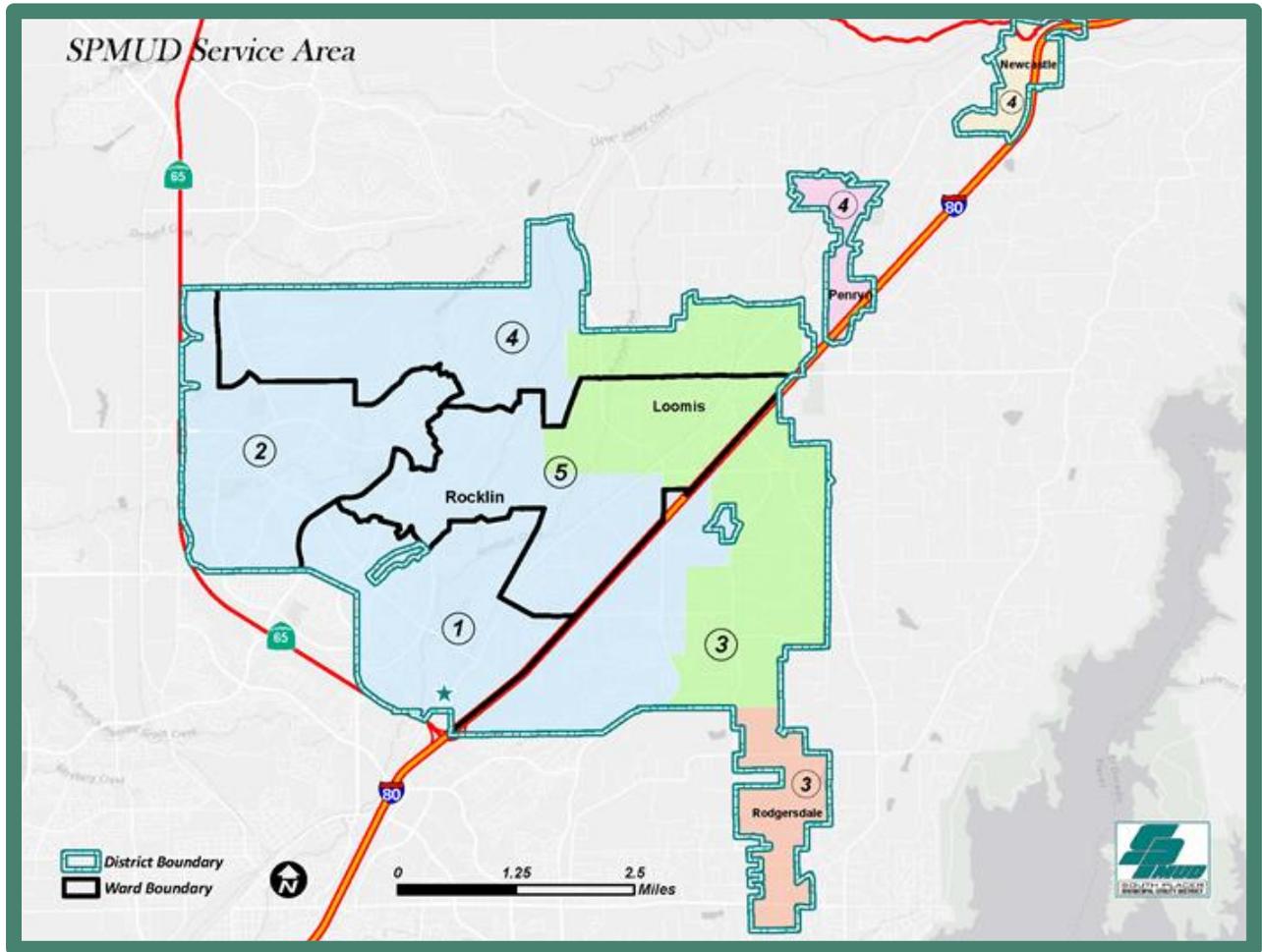
### **SPMUD VISION**

To be a reliable, innovative operations and maintenance organization that preserves and prolongs the life of our assets, resulting in sustainable, efficient, cost-effective customer services.

### **SPMUD VALUES**

1. INTEGRITY: We will be trustworthy, truthful and honest.
2. STEWARDSHIP: We will be accountable and committed to responsible management and respect our environment.
3. SERVICE: We will be responsive, reliable and respectful; putting the needs of the District and customers first.
4. QUALITY: We will be dedicated to continuous improvement.

Figure 1 – SPMUD Boundaries



Above grade creek crossings represent a unique and special risk to the District. By default, above grade creek crossings are potential HRFs due to their immediate proximity to a waterway. Any failure of an above grade creek crossing results in the potential for serious consequences to public health and the environment, and litigation and fines for the District. For these reasons, a separate and more detailed risk assessment was conducted on this subset of the District's assets.

The District has also embarked on a multi-year plan to address projects identified in the Wastewater Collection System Evaluation and Capacity Assurance Plan (SECAP). The purpose of the SECAP is to provide the District guidance in its efforts to assure capacity for existing customers and information on how to prepare and plan for future development. This document summarizes the District's compliance with provision D.13.viii – System Evaluation and Capacity Assurance Plan of the California State Water Resources Control Board (SWRCB) Order No. 2006-0003-DWQ, the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems (SSS WDR). It is included by reference to the District's Sewer System Management Plan (SSMP); is reviewed annually; and is updated as deemed necessary by District staff (at minimum every five years) to account for conditions affecting collection system capacity.

## **LOCAL ECONOMIC CONDITIONS**

Placer County is in the northern portion of the Sacramento Valley and has an eastern border that touches the Nevada state line. Placer County has a population of 386,166 people

and approximately 148,700 wage and salary jobs. The median household income in Placer County is \$76,926. The strong recovery of the local economy indicates that the South Placer area should see additional growth in future years.



Employment across the South Placer region increased by 2.8% in 2017. A significant area of growth in jobs can be attributed to a surge in Health Care employment. The unemployment rate improved markedly, falling from 5.0% in 2016 to 3.7% in 2017.

During 2017, the largest employment gains were observed in education and healthcare, construction, manufacturing, wholesale and retail trade and financial activities. Declines were not observed in any major sector. Net migration added over 70,000 residents to the County, including both legal and unauthorized foreign immigrants, residents who left the State to live abroad and others moving to and from Placer County from within California and the United States.

Job growth has continued to accelerate and over the next few years is expected to grow in the areas of leisure and hospitality, professional and business services, education and healthcare, and wholesale and retail trade. These sectors will account for 83% of net job creation in the county.

Annual population in California surpassed over 40 million this year. It remains the most populous state in the nation. With the next State being Texas, having a population of 28 million.

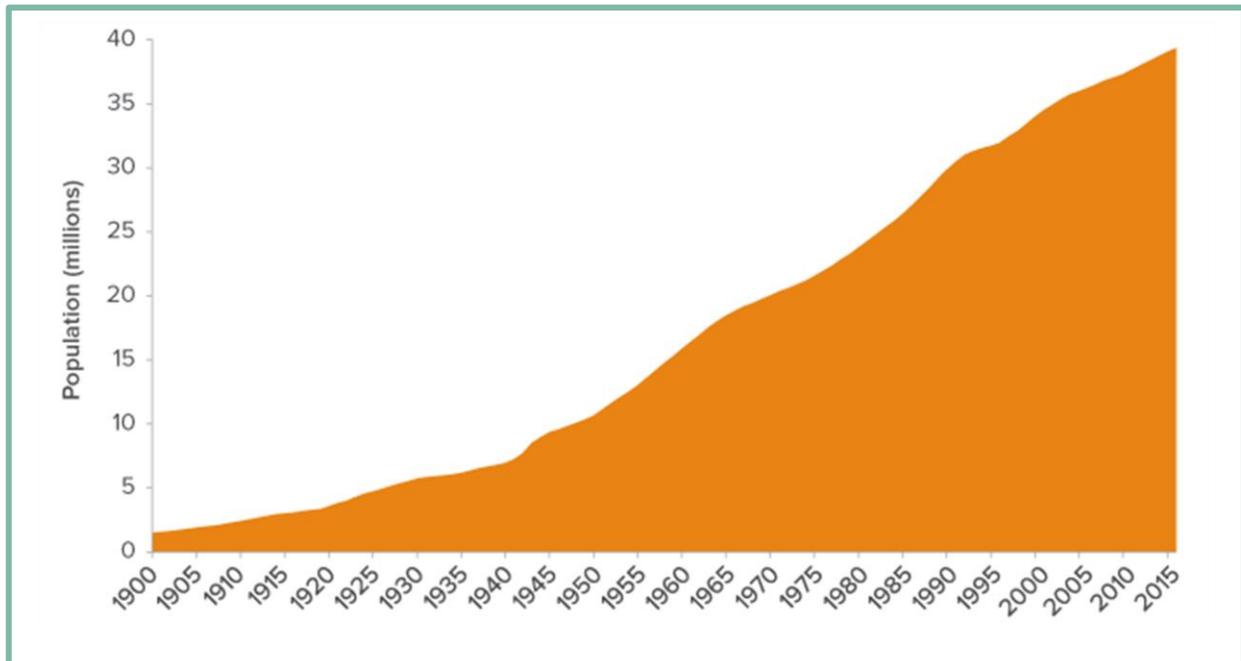


### **ENTERPRISE OPERATIONS**

The District finances sewer operations through user charges, property tax receipts and miscellaneous other income. All charges are based upon an Equivalent Dwelling Unit (EDU) and the cost of providing the sewer service is allocated to each customer proportionate to the strength and flow of the

wastewater generated in EDUs. An EDU is intended to represent the wastewater generated by a single residential consumer. Based upon previous strength and flow monitoring studies, one EDU is equivalent to 200 gallons of wastewater daily with wastewater strength of less than 200 mg/l B.O.D. and/or suspended solids. Service Charge revenues are derived from flat rates charged for sewer service, based upon the EDU's assigned to each account.

The top priority of the District is to provide a level of service that meets state and federal regulatory requirements, and the demands and expectations of its customers. Customers of the District have an expectation for cost-effective reliable sewer operations, with minimal sewage spills that have the capacity to impact the environment. Furthermore, District customers have become accustomed to excellent customer service and response at low cost. The District currently has some of the lowest monthly service charge for sewer service.



**California Population Growth Source: California Department of Finance Estimates**

In January 2018 the Districts Lifeline Low income rate assistance program began. This program offers a small monthly discount of \$5.00 to those owner-occupied residences that qualify for the PG&E CARE Program. Funding for this program is generated through the collection of late fees, charged to customers with delinquent utility accounts.

In 2013 and most recently in 2017 the District developed forward thinking Strategic Plans. Strategic Plan 2018/2022 establishes the blueprint for the District's current activities and response to future activities and changing priorities. The Strategic Plan confirms the District's Mission, Vision and Core Values as a customer driven utility dedicated to protecting the public health by providing quality sanitary sewer collection service while protecting and preserving our water environment and resources for future generations. The plan is used to guide the annual budget process and capture the Board's goals and objectives to be achieved during the planning period while meeting the District's mission to Protect, Provide and Prepare.

Careful stewardship of financial resources, along with a focus on long-term financial planning, provides the District with a firm financial base. The District has shown its financial abilities in capably responding to the operational requirements of the sewer system while responsibly investing in infrastructure replacement. The Board of Directors' policies carefully coordinate reasonable rate increases to meet the District's mission.

## **PUBLIC OUTREACH**

The District conducts regular Board Meetings that are open to the public. They are normally held on the first Thursday of the month. Dates can be found on the District

website. The District's website continues to be updated to be more informative, and easier to use and provides information about SPMUD's activities. The website can be found at [www.spmud.ca.gov](http://www.spmud.ca.gov).

District staff provide presentations to civic groups, service organizations, and local schools. The District also engages the public through newsletters, door hangars and written notices.

## **BUDGETARY CONTROLS**

The Annual Budget is a blueprint of planned operating, public goods and debt service expenses, capital expenditures and multi-year projects for each fiscal year beginning on July 1st and ending on June 30th. For each fiscal year, the South Placer Municipal Utility District adopts an annual budget that provides the Board of Directors with the upcoming fiscal year revenues and expenses for the General and Capital Funds. The Budget's primary use is as a fiscal planning tool to accomplish the District's strategic goals and objectives.

The annual budget conforms to all policies previously adopted by the Board of Directors. District staff work with the Board of Directors' Fee & Finance Committee to develop the annual budget. Staff presents the budget at public workshops and meetings before adoption.

## **LOOKING FORWARD TO THE FUTURE**

The top priority of the District is to provide a level of service that meets state and federal regulatory requirements, and the demands and expectations of its customers. The long-term goal of the 5-year Financial Plan is to develop a utility system that is stable,

requiring limited increases in the cost of services, minimizing those increases that are required, and provide sufficient revenues to cover necessary operations and maintenance programs, capital investment and reserves to meet the utility's stated needs.

Because the District's customers bear the ultimate cost of service, there exists a need to have a financial plan that will permit the utility to meet its priorities at an affordable and stable cost for the long-term. To this end, the District operates under the Municipal Utility District Act and is set up as an enterprise fund to operate very much like a business. Sewer customers are not subsidized by the General Fund taxpayers of any local government and must be individually self-sustaining.

In May 2017, the Board approved a 5-year financial plan and cost of service study which resulted in an increase in wastewater rates for the first time in 5 years. The 3-consecutive annual increases in rates will fully fund all operations, maintenance and regulatory obligations as well as capital improvements until 2022. The increase will also provide funding of the District's pension and other post-employment benefit obligations as well as meet the debt indenture revenue requirements mandated by the South Placer Wastewater Authority.

Capital Outlays are categorized to their respective fund centers. Those projects designated as Capital Replacement & Rehabilitation (R&R) 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. It is only those projects covered by the General Fund that are

directly funded as pay-as-you-go by customers through the monthly service charge.

The District's 5-year financial plan and cost of service study included a capital improvement plan to take the district out to fiscal Year 2021/22 and contains District planned construction of R&R projects, CIP projects and General Fund projects.



## DISTRICT HONORS

In 2016, the South Placer Municipal Utility District was awarded the District Transparency Certificate of Excellence by the Special District Leadership Foundation for outstanding efforts to promote transparency and good governance. In order to receive the award, SPMUD demonstrated the completion of eight essential governance transparency requirements, including conducting ethics training for all District Board members; properly conducting open and public meetings; and filing financial transactions and compensation reports with the State Controller in a timely manner.

The District also fulfilled 15 website requirements, including providing readily available information to the public, such as board agendas, past minutes, current budget and the most recent financial audit.

**ANNUAL FINANCIAL REPORT CONTRIBUTING STAFF**

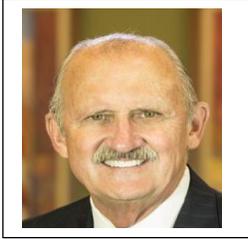
Herb Niederberger	General Manager
Joanna Belanger	Administrative Services Manager and Board Secretary
Sam Rose	Superintendent
Eric Nielsen	District Engineer

Sincerely,



Herb Niederberger  
General Manager

## DISTRICT BOARD OF DIRECTORS



Gerald Mitchell

**WARD 1:** Southwest central area of the City of Rocklin lying north of Interstate 80, including the Woodside, Five Star/Fairway Heights, south Stanford Ranch, and Sunset neighborhoods, as well as the west parts of old Rocklin.



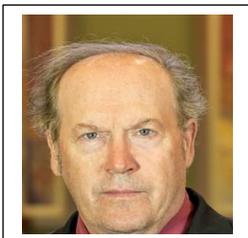
William Dickinson

**WARD 2:** Northwest part of the City of Rocklin lying on the east side of Highway 65 in the Sunset West and north central Stanford Ranch neighborhoods.



John Murdock

**WARD 3:** Southeast Rocklin lying south of Interstate 80 in the vicinity of Sierra Community College. Also includes south Loomis and a stretch of land extending into Granite Bay in the Joe Rogers Road area.



Victor Markey

**WARD 4:** Community of Penryn, the Town of Loomis lying north of King Road, extending west into the north part of the City of Rocklin in the Whitney Ranch and north Whitney Oaks neighborhoods.



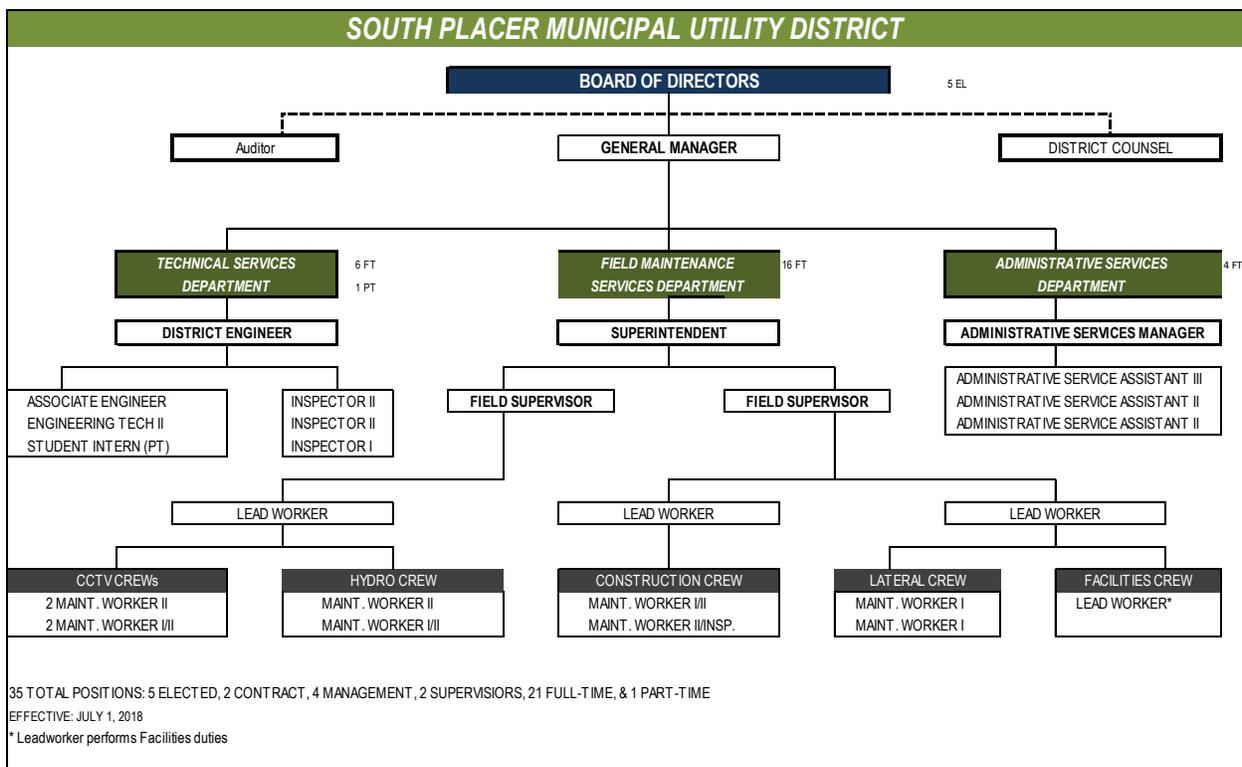
James Williams

**WARD 5:** West and central part of the Town of Loomis lying between Interstate 80 and King Road, extending west into the City of Rocklin into the east Stanford Ranch and south Whitney Oaks neighborhoods, as well as the east part of old Rocklin.

# ORGANIZATION

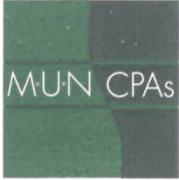
The District is organized into three departments, Field Services, Technical Services and Administrative Services. In general, all operation and maintenance functions are performed by Field Services staff; all engineering, development improvements, construction activity and inspections are overseen by Technical Services staff; and, all office, billing, accounting, customer service, financial and administrative functions are performed by Administrative Service staff. District Audit and Legal Services are performed under contract. Employees and Management salaries are governed by a Memorandum of Understanding (MOU) between each of the two employee groups and the Board of Directors.

## DISTRICT ORGANIZATIONAL CHART FY 18/19



**SOUTH PLACER  
MUNICIPAL UTILITY  
DISTRICT**

**FINANCIAL SECTION  
FISCAL YEAR ENDING  
JUNE 30, 2018**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Placer Municipal Utility District  
Rocklin, California

### Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the South Placer Municipal Utility District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### 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 an opinion 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of South Placer Municipal Utility District as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to the District's net pension liability, and the schedules of changes in the District's net OPEB liability and related ratios as listed in the table of contents 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 information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, statistical section and schedule of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, 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 the South Placer Municipal Utility District's internal control over financial reporting and compliance.

Sacramento, California  
November 12, 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ending June 30, 2018

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, 2017 and ending June 30, 2018 (FY 2017/18) and should be reviewed in conjunction with the audited financial statements, which follow this MDA.

## FINANCIAL HIGHLIGHTS

In May 2017, the Board approved a 5-year financial plan and cost of service study which resulted in an increase in wastewater rates for the first time in 5 years. The long-term goal of the 5-year Financial Plan is to develop a utility system that is stable, requiring limited increases in the cost of services, minimizing those increases that are required, and provide sufficient revenues to cover necessary operations and maintenance programs, as well as capital investment and reserves to meet the utility's stated needs.

In addition to these general needs, the District determined five specific funding goals to be accomplished during the 5-year Financial Plan. These include:

- A. Fully funding the District's obligations to CalPERS
- B. Fully funding the District's annual required contribution (ARC) for Other Post-Employment Benefits (OPEB)
- C. Maintaining minimum reserve fund balances
- D. Meeting the Debt Coverage Ratio mandated by the South Placer Wastewater Authority (SPWA) debt indenture
- E. Providing adequate funding for Capital Investments

Table 1 compares major District growth metrics for the last two fiscal years. The District added 620 new customer accounts in FY 2017/18 representing 2.7% growth. Sewer Service Charges increased by 12.4%, this is due to rate increases, late fees and the addition of customer service accounts and increases to Equal Dwelling Units.

**TABLE 1: Annual DISTRICT Growth**  
(compares major District metrics for the last two fiscal years)

<b>Item</b>	<b>Unit</b>	<b>Fiscal Year 2016/17</b>	<b>Fiscal Year 2017/18</b>	<b>% Change over Previous</b>
Service Charges	Dollars	\$ 10,983,759	\$ 12,344,676	12.4%
Customer Accounts	Each	22,175	22,775	2.7%
Equal Dwelling Units	EDU	32,825	33,445	1.9%
Service Fee per EDU	Monthly	\$28.00	\$34.00	21.4%
Annual Flow to WWTP	Million Gallons	1,675	1,570	-6.3%
Sewer Mains	Miles	273.5	276.9	1.2%
Lower Service Laterals	Miles	127	133	4.8%
Manhole/Flushing Branch	Each	6,365	6,399	0.5%
Lift Stations	Each	13	13	0.0%
Force Mains	Miles	6.8	6.8	0.0%

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The District’s basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. An important part of the basic financial statements is the accompanying notes, which provide the users additional information required by generally accepted accounting principles (GAAP). The Management Discussion and Analysis is required supplementary information to the basic financial statements.

The Statement of Net Position includes the District’s assets and liabilities. The difference between assets and liabilities is reported as net position. The Statement of Revenues, Expenses and Changes in Net Position account for revenue, expenses, and capital contributions and calculates the change in net position. Over time, increases or decreases in net position serve as a key indicator of the District’s financial position. The Statement of Cash Flows provides the details on the changes in cash and cash equivalents during the year. By contrast the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are prepared on an accrual basis, meaning revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

## **FINANCIAL ANALYSIS OF THE DISTRICT**

### Net Position

The condensed Statement of Net Position shown in Statistical Section at the end of this analysis shows the District is investing in capital assets. Since 2015, the District has been required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements determined in conformity with

GASB 68. Prior to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense and no liability or deferred inflows/deferred outflows.

The net pension liability reported in the Statement of Net Position for year ended June 30, 2018 is summarized as follows:

Items	Reporting at Fiscal Year Ending June 30, 2018
Total Pension Liability	\$17,893,687
Fiduciary Net Position	<u>\$13,164,827</u>
Net Pension Liability (Asset)	\$4,728,860
Deferred (Outflows) of Resources	(\$1,132,423)
<b>Impact on Statement of Net Position</b>	<b><u>\$3,596,437</u></b>
Pension Expense, FY 2018	\$497,945

For more information on the District's pension plan, see Note 5 of the Financial Statements.

**TABLE 2 – NET POSITION RELATED TO PENSIONS**

	6/30/2017	6/30/2018	Change (\$)
Total Pension Liability	\$ 16,269,009	\$ 17,893,687	\$ 1,624,678
Fiduciary Net Position	12,184,045	13,164,827	980,782
Net Pension Liability (Asset)	4,084,964	4,728,860	643,896
<i>Deferred (Outflows) Inflows Consist:</i>			
Assumption Changes	108,116	(689,730)	(797,846)
Plan Experience	(8,809)	80,197	89,006
Investment Experience	(562,707)	(168,863)	393,844
Changes in Proportions	(359,940)	(189,355)	170,585
Differences between actual contributions and proportionate share of contributions	283,736	260,274	(23,462)
Contributions Made Subsequent to the Measurement Date	(369,153)	(424,946)	(55,793)
Net Deferred (Outflows) Inflows	(908,757)	(1,132,423)	(223,666)
Net reduction of Net Position due to liability	\$ 3,176,207	\$ 3,596,437	\$ 420,230

An Actuarial Valuation report for Other Post Employment Benefit Programs (OPEB) was completed in July 2018 by the Districts Actuary, MacCleod Watts. The explanation of the increases to the Actuarial Accrued Liability between is as follows:

The Actuarial Accrued Liability (AAL) decreased by approximately \$333,000 between July 1, 2015 and July 1, 2017 from approximately 1,771,000 to \$1,438,000. Some of the differences was expected based upon the assumptions made in the prior valuation. Premium changes and employee decisions affecting coverage were not anticipated.

The District has chosen to fund the total OPEB liability (including implicit subsidy) based on an expected long-term return of trust assets of 6.73% per year.

## **REVENUES AND EXPENSES**

Revenues: General Fund Revenues derived from customer service charges were up by 12% over last year. This increase is primarily from increases to service charge rate, but also from the added EDU's from the previous year. General fund revenue derived from permits, plan check fees and inspections decreased by 28.8% due to the decrease in development activity. Local home resales drove an increase in revenue from the Districts' portion of the local property taxes by 6.3%. Total General Fund Revenue used to fund ongoing operations, maintenance and administrative functions of the District were increased over \$1.54M from the previous year.

Revenue received from Sewer Participation charges increased by approximately \$1.07 Million over the previous year due to development activities within the District boundaries. On February 4, 2016, the District adopted a strategy for the investment of District funds. Total SPMUD revenue reported for FY 2017/18 showed a decrease of \$3.81 Million (26%) over the previous year, due primarily to funds being utilized for the Loomis Diversion Trunkline Project. The Loan Repayment for NSD – PRSC (Project Related Service Charges) is included in Sewer Service Charges and reported as \$196,939 for FY 17/18.

Table 3 reflects the Statement of Revenues from the Financial Statement. Interest Income for District investments is included within the balance of each investment instrument as noted under Note 2 of the Financial Statements.

**TABLE 3: REVENUE**

<b>GENERAL FUND</b>	<b>FISCAL YR 2016/17</b>	<b>FISCAL YR 2017/18</b>	<b>% Change over Previous</b>
SEWER SERVICE CHARGES REVENUES	\$ 11,196,600	\$ 12,554,921	12.1%
PERMITS, PLAN CHECK FEES & INSPECTIONS	475,524	338,446	-28.8%
PROPERTY TAXES	874,218	929,449	6.3%
INTEREST INCOME	12,083	45,706	278.3%
INTEREST EXPENSE	(120,912)	(119,120)	-1.5%
GAIN/LOSS ON SALE FIXED ASSET DISPOSAL	(27,186)	63,498	-333.6%
LATE FEES	-	128,549	100.0%
LOW INCOME (LIL) RATE ASSIST. PROGRAM	-	10,876	100.0%
<b>TOTAL GENERAL FUND</b>	<b>\$ 12,410,327</b>	<b>\$ 13,952,325</b>	<b>12.4%</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUND</b>			
SEWER PARTICIPATION FEES	\$ 1,443,773	\$ 2,520,400	74.6%
INTEREST	523,523	197,569	-62.3%
<b>TOTAL CIP FUND</b>	<b>\$ 1,967,296</b>	<b>\$ 2,717,969</b>	<b>38.2%</b>
<b>CAPITAL REPLACEMENT FUND</b>			
INTEREST INCOME	\$ 47,023	\$ 78,658	67.3%
<b>TOTAL CAPITAL REPLACEMENT FUND</b>	<b>\$ 47,023</b>	<b>\$ 78,658</b>	<b>67.3%</b>
<b>TOTAL SPMUD REVENUE</b>	<b>\$ 14,424,646</b>	<b>\$ 16,748,952</b>	

**Note regarding Interest Income from Investments**

One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations. During the year investments experienced gains and losses, the following table shows balance of investments over the past two years.

The overall balance of investments has decreased from last year since the District is undergoing various multi-million-dollar projects, including the Lower Loomis Diversion Project & Foothill Trunk Sewer line improvements. Table 4 indicates the balance of Investment funds at 06/30/18.

**TABLE 4: INVESTMENTS**

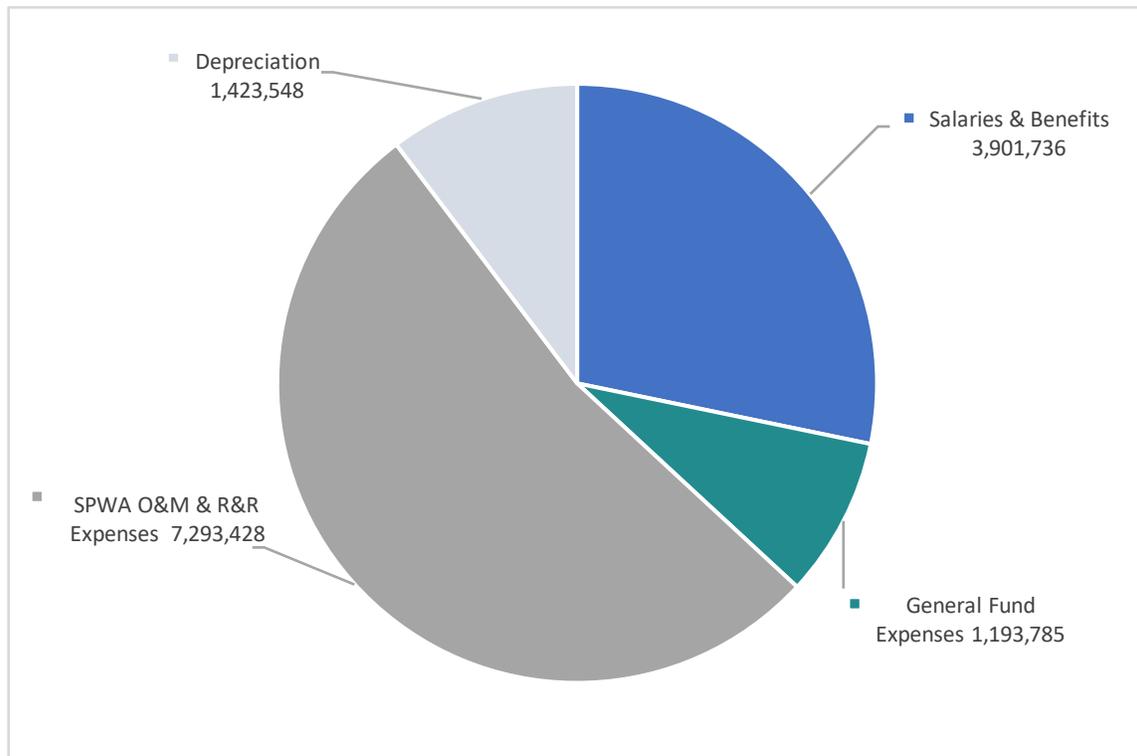
<b>Investment</b>	<b>Balance 06/30/17</b>	<b>Balance 06/30/18</b>
Wells Fargo Fixed Income Securities & Money Market Mutual Funds	\$22,011,526	\$21,966,843
Local Agency Investment Fund (LAIF)	5,042,235	5,114,252
Caltrust Investments	19,181,658	19,275,339
Placer County Treasury Investments	5,094,193	5,177,180
Unrestricted deposits in financial institutions	4,592,055	575,599
<b>TOTAL</b>	<b>\$55,921,667</b>	<b>\$52,109,213</b>

Expenses: General Fund Expenses increased from FY 2016/17 to FY 2017/18 by \$1,180,412 (9.0%) from \$12.6M to \$13.81M. This increase was primarily for the increased amount paid to CalPERS for the UAL and for Newcastle Master Plan Improvements and District participation in Regional Projects. Table 5 and Chart 1 show the District's General Fund expenditures. General Fund Revenues of \$13.98M exceeded General Fund Expenses of \$13.81M.

**TABLE 5 – GENERAL FUND EXPENDITURES**

<b>Expenditure type</b>	<b>AUDITED</b>	
	<b>FISCAL YR 16/17</b>	<b>FISCAL YR 17/18</b>
Salaries/Wages	\$ 2,021,529	\$ 2,330,199
FICA - Social Security	134,846	177,385
CalPERS Retirement	459,750	234,089
CalPERS UAL	580,669	263,855
457 & 401a Retirement	46,575	79,098
Performance Merit Pay Program	-	-
Insurance Benefits	496,890	606,026
Pers OPEB	216,683	211,085
<b>Sub Total Salaries &amp; Benefits</b>	<b>3,956,942</b>	<b>3,901,736</b>
Property & Liability Insurance	98,407	119,949
Professional Services	59,643	89,124
Vehicle Repair and Maintenance	82,277	84,911
Professional Development	33,384	46,329
Legal Services	111,568	31,994
Utility Billing/Banking Expense/Printing	163,984	160,606
Other Operating Expenses	19,892	45,558
General Operating Supplies & Maintenance	158,048	167,821
Gas & Oil Expenses	29,109	39,095
Safety Gear/Uniforms	16,128	17,569
Utilities	134,652	135,779
Repair/Maintenance Agreements	74,792	73,446
Regulatory Compliance/Government Fees	39,289	30,015
Lift Station & Flow Recorder Programs	46,533	29,851
Building & Grounds Maintenance	39,810	73,546
Asphalt Paving	6,795	48,192
<b>Sub Total Local SPMUD General Fund Expenses</b>	<b>1,114,311</b>	<b>1,193,785</b>
RWWTP Maintenance & Operations	4,711,758	5,003,758
RWWTP Rehab & Replacement	1,505,199	2,289,670
<b>Sub Total SPWA O&amp;M + R&amp;R Expenses</b>	<b>6,216,957</b>	<b>7,293,428</b>
<b>Total Operations Expense before Depreciation</b>	<b>11,288,210</b>	<b>12,388,949</b>
Depreciation expense	1,343,872	1,423,548
<b>Total General Fund Expenses</b>	<b>\$ 12,632,082</b>	<b>\$ 13,812,497</b>

**CHART 1 – GENERAL FUND EXPENSES FY 17/18**



**Capital Assets**

Capital Outlays are categorized 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.

The District budgeted \$11.99M in Capital Outlay during FY 2017/18 and expended \$9.1M consisting of \$449,979 in General Fund Capital - 100 projects, \$6,719,140 in CIP & Expansion fund – 300 projects, and \$1,940,496 in Capital Rehabilitation & Replacement fund – 400 projects. A reimbursement of \$845,252 was received for work completed in conjunction with the Caltrans/ Highway 65 expansion project.

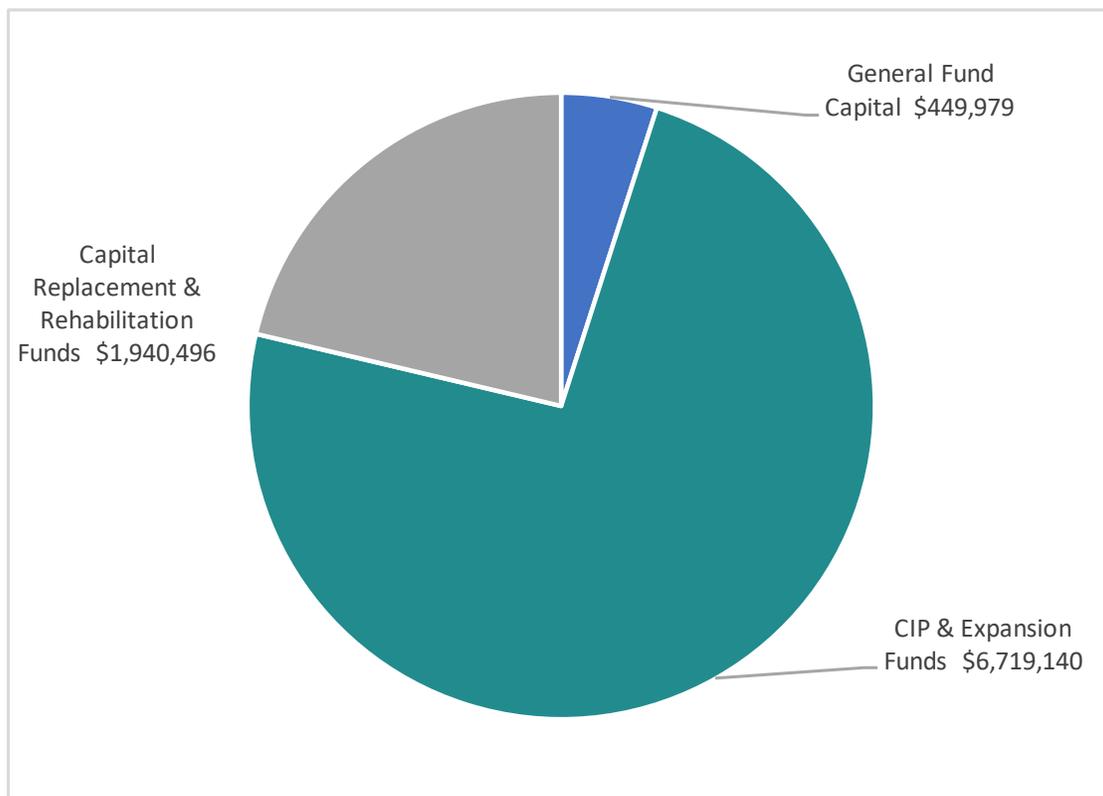
The District also received \$2.75M in sewer asset contributions from new development. This included 2.4 miles of gravity sewer pipe, and 82 manholes/flushing branches. A list of the District’s Capital Projects in FY 17/18 are included in Table 6 & Chart 2.

**TABLE 6: FY17/18 CAPITAL OUTLAY ACTIVITY**

	FY 17/18 BUDGET	FUND 100	FUND 300	FUND 400
		General Fund Capital	CIP & Expansion	Capital Replacement & Rehabilitation
Computers/Office Furniture	\$ 20,000	\$ 9,516	\$ -	\$ -
Board Room Audio/Visual upgrades	5,000	-	-	-
Software Upgrades/Tyler	5,000	-	-	-
HQ Front Office/Reception Area	10,000	-	-	-
Energy Upgrades	200,000	-	-	-
Archiving/Disaster Development Plan	30,000	-	-	-
Easement Roadway Replacements	35,000	19,195	-	3,428
HRF Creek Crossings - Design & Permitting	50,000	-	-	-
Software/Data Acquisition	11,000	4,002	-	-
System Improvements	155,000	64,575	-	-
Newcastle Master Plan Improvements	200,000	222,695	-	-
Corporation Yard Master Plan Improvements	50,000	-	-	3,244
Lower Clover Valley Trunk - Design	410,000	-	12,149	-
Corporation Yard Perimeter Fencing Upgrades	110,000	-	-	-
Lateral Camera Replacements	37,000	-	-	20,677
Portable Generator Replacement	82,000	-	-	72,654
Portable Generator Connection Upgrades L.S.	20,000	-	-	33,602
Corp Yard Fuel Tank Removal	9,000	-	-	9,860
Vehicle Replacement (x3)	488,000	-	-	908,821
District Participation in Regional Projects	185,000	129,996	-	-
System Rehabilitation	835,000	-	-	778,148
Foothill Trunk Project - Construction	2,130,000	-	16,974	-
Loomis Diversion Trunkline - Construction	5,960,000	-	6,690,017	-
CalTrans I80/Hwy65 pipe-Reimb. \$845,253	960,000	-	-	110,062
<b>Total Capital Improvements</b>	<b>\$ 11,997,000</b>	<b>\$ 449,979</b>	<b>\$ 6,719,140</b>	<b>\$ 1,940,496</b>

AUDITED FINANCIALS				
	FISCAL YR 14/15	FISCAL YR 15/16	FISCAL YR 16/17	FISCAL YR 17/18
TOTAL GENERAL FUND CAPITAL IMPROVEMENTS	\$ 362,089	\$ 75,910	\$ 16,037	\$ 449,979
TOTAL CIP & EXPANSION	590,189	259,533	2,819,904	6,719,140
TOTAL REPLACEMENT & REHABILITATION	930,138	159,558	389,039	1,940,496
<b>TOTAL CAPITAL INVESTMENT</b>	<b>\$ 1,882,416</b>	<b>\$ 495,001</b>	<b>\$ 3,224,980</b>	<b>\$ 9,109,615</b>

## CHART 2 – CAPITAL FUND EXPENSES FY 17/18



For additional information on Capital Assets, see Note 3 in the Notes to Financial Statements.

### Debt Administration

The District does not currently have any debt in the sense of conventional loans or bond financing of District Improvements. The District, the City of Roseville and Placer County (PC) are participants in the South Placer Wastewater Authority (SPWA) with the intended purpose to finance the construction of the Pleasant Grove Wastewater Treatment Plant (PG WWTP) through bonds, low-interest loans or other types of debt. As such, the district is subject to the SPWA Funding Agreement and debt indenture.

The SPWA Funding Agreement established a Rate Stabilization Account to be used for the payment of debt service on the Bonds and other costs of the Authority. Monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and SPWA pays the debt service and other costs from the Account on behalf of each member of SPWA, based on each member's proportionate share. As of June 30, 2018, the District maintained a balance of \$52,745,211 in the Rate Stabilization Account on deposit with the Authority. Per the last approved financial statement accepted by the SPWA, the annual SPWA Debt assigned to SPMUD was \$3,291,332. Without any changes, the District currently has approximately 16 years' worth of debt

service on account with SPWA. SPWA is proposing \$80M in Capital Improvements and Treatment Upgrades at the PG WWTP to prepare for regional growth, incorporate energy related improvements and to maximize solids digestion. SPWA is proposing to finance this construction through a blend of bond financing, State Revolving Fund loans and cash payments.

In accordance with the SPWA debt indenture, SPMUD has covenanted to prescribe and collect rates and charges sufficient to yield net revenues at least equivalent to 110% of its share of debt service. The source of funding for this reserve can be accounted for from all SPMUD revenues and are expected to provide Debt Coverage Ratio (DCR) of 110% over the lives of the Bonds.

## **ECONOMIC FACTORS AND FISCAL YEAR 2018/19 BUDGET OVERVIEW**

Revenue: The Economic forecast for growth within the District's service area boundaries looks favorable. There continues to be a backlog of development proposals which are under review and should allow the District to add an additional 500 EDUs during the next fiscal year. The Federal Government hiked its benchmark interest rate to a range of 1.75 to 2 percent, a move that will probably cause a slight increase in mortgage, credit card, auto loan and small business loan rates. The District will be reviewing its investment policy to enhance revenue potential through diversification of the investment portfolio.

The monthly service rate increased from \$31/EDU to \$34/EDU in July, one additional scheduled increase will occur July 1 of 2019 changing to \$36/EDU/month. Revenues are expected to increase accordingly.

Expenses: Indexes for electricity, and natural gas have been declining which is helping to keep those related costs down; however, the recently enacted California Gas Tax will impact overall fuel purchase for the coming year. The District has been successful keeping a cap on locally controlled expenses as well. Total charges from SPWA continue to rise, which constitute over half of the expenses incurred by the District annually. Prior drought and last year's record rainfall have impacted flows to sewers which may necessitate a review of the sewage allocation to the RWWTP by the SPWA partners. Projected General Fund expenses are shown in Table 7.

As part of the 5-year Financial Plan and Cost of Services study, the District projected expenses to the year 2022. One of the major components affecting salary and benefits is the objective to fully funding the District's obligations to CalPERS as well as funding the District's annual required contribution (ARC) for Other Post-Employment Benefits (OPEB).

SPMUD has 35 approved personnel positions that include 5 elected, 2 contracted, 4 management, 2 supervisors, and 22 staff positions; there are currently 27 Full Time Employees. The current MOU's for employees and management were negotiated in FY16/17, and cover the following fiscal years 17/18, 18/19 & 19/20, Cost of Living increases are tied to the Consumer Cost Index.

**TABLE 7 – FY18/19 PROPOSED GENERAL FUND EXPENSES**

<b>Expenditure type</b>	<b>ACTUAL</b>	<b>BUDGETED</b>
	<b>FISCAL YR 17/18</b>	<b>FISCAL YR 18/19</b>
Salaries/Wages	\$ 2,330,199	\$ 2,384,000
FICA - Social Security	177,385	180,800
CalPERS Retirement	234,089	240,000
CalPERS UAL	263,855	320,000
457 & 401a Retirement	79,098	86,200
Performance Merit Pay Program	-	52,500
Insurance Benefits	606,026	627,000
Pers OPEB	211,085	264,200
<b>Sub Total Salaries &amp; Benefits</b>	<b>3,901,736</b>	<b>4,154,700</b>
Property & Liability Insurance	119,949	130,000
Professional Services	89,124	466,000
Vehicle Repair and Maintenance	84,911	85,000
Professional Development	46,329	62,500
Legal Services	31,994	100,000
Utility Billing/Banking Expense/Printing	160,606	155,000
Other Operating Expenses	45,558	48,800
General Operating Supplies & Maintenance	167,821	131,000
Gas & Oil Expenses	39,095	40,000
Election Expenses	-	80,000
Safety Gear/Uniforms	17,569	23,000
Utilities	135,779	130,000
Repair/Maintenance Agreements	73,446	89,400
Regulatory Compliance/Government Fees	30,015	62,500
Lift Station & Flow Recorder Programs	29,851	35,000
Building & Grounds Maintenance	73,546	75,100
Asphalt Paving	48,192	25,000
<b>Sub Total Local SPMUD General Fund Expens</b>	<b>1,193,785</b>	<b>1,738,300</b>
RWWTP Maintenance & Operations	5,003,758	4,962,000
RWWTP Rehab & Replacement	2,289,670	2,500,000
<b>Sub Total SPWA O&amp;M + R&amp;R Expenses</b>	<b>7,293,428</b>	<b>7,462,000</b>
<b>Total Operations Expense before Depreciation</b>	<b>12,388,949</b>	<b>13,355,000</b>
Depreciation expense	1,423,548	1,370,000
<b>Total General Fund Expenses</b>	<b>\$ 13,812,497</b>	<b>\$ 14,725,000</b>

Capital Expenses: The District anticipates increased 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. Details and summaries of the FY 18/19 Budget Review Capital Projects are shown in Table 8 and 9.

**TABLE 8 – FY 18/19 CAPITAL IMPROVEMENT PROJECTS**

		PROPOSED FISCAL YR 18/19		
		FUND 100	FUND 300	FUND 400
CAPITAL IMPROVEMENTS		General Fund Capital	CIP & Expansion	Capital Replacement & Rehabilitation
All Weather Access Roads	\$ 46,000	\$ 46,000	\$ -	\$ -
Archiving/Disaster Development Plan	45,000	45,000	-	-
Board Room Audio/Visual upgrades	10,000	-	-	10,000
Computers/Office Furniture	17,500	17,500	-	-
Confined Space Entry Equipment	6,500	6,500	-	-
CY Concreting Projects	40,000	40,000	-	-
CY Master Plan Capital Improvements - Locker Room	100,000	100,000	-	-
District Participation in Regional Projects	365,000	30,000	-	335,000
Easement Inspection Equipment	5,400	5,400	-	-
Easement Roadway Replacements	17,500	17,500	-	-
Easement Roadway Upgrades	17,500	-	-	17,500
Electric Rodder W/Attachments	20,000	20,000	-	-
Energy Upgrades	100,000	100,000	-	-
Flow Recorder Replacement - Five Star Outfall	18,000	-	-	18,000
Foothill Trunk Project - Construction	3,140,000	-	3,140,000	-
HQ Front Office/Reception Area	15,000	-	-	15,000
HRF Creek Crossings - Design & Permitting	50,000	-	-	50,000
Lateral Camera Replacements	5,700	-	-	5,700
Loomis Diversion Trunkline - Construction	4,820,000	-	4,820,000	-
Lower Clover Valley Trunk - Design	401,000	-	401,000	-
Newcastle Master Plan Improvements	200,000	200,000	-	-
Pipe Trailer Replacement	14,000	-	-	14,000
Rocklin 60 Reimbursement	160,000	-	160,000	-
Server Replacement	50,000	-	-	50,000
Software Upgrades/Tyler	10,000	10,000	-	-
Software/Data Acquisition	10,000	10,000	-	-
System Improvements	50,000	50,000	-	-
System Rehabilitation (CY Fencing, Mainline CIPP Lir	1,020,000	-	-	1,020,000
Vehicle Improvements - Hydro Vac & Unit 20	14,200	14,200	-	-
Vehicle Replacement (x1 Construction Truck)	150,000	-	-	150,000
<b>Total Capital Improvements</b>	<b>\$ 10,918,300</b>	<b>\$ 712,100</b>	<b>\$ 8,521,000</b>	<b>\$ 1,685,200</b>

**TABLE 9: FY18/19 BUDGET REVIEW**

	AUDITED FINANCIALS			PROPOSED
	FISCAL YR 15/16	FISCAL YR 16/17	FISCAL YR 17/18	FISCAL YR 18/19
TOTAL GENERAL FUND CAPITAL IMPROVEMENTS	\$ 75,910.00	\$ 157,190.25	\$ 449,979	\$ 712,100
TOTAL CIP & EXPANSION	259,533	842,722	6,719,140	8,521,000
TOTAL REPLACEMENT & REHABILITATION	159,558	714,054	389,039	1,685,200
<b>TOTAL CAPITAL INVESTMENT</b>	<b>\$ 495,001.00</b>	<b>\$ 1,713,966</b>	<b>\$ 7,558,158</b>	<b>\$ 10,918,300</b>

## **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 in writing to the General Manager, Herb Niederberger:

**South Placer Municipal Utility District**  
**5807 Springview Drive**  
**Rocklin, CA 95677**

**Telephone:** (916) 786-8555

**Fax:** (916) 786-8553

**Web:** [www.spmud.ca.gov](http://www.spmud.ca.gov)



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
BALANCE SHEET  
AS OF JUNE 30, 2018**

	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 2,850,433	\$ 4,048,426	\$ 3,968,172	\$ 10,867,031
Investments (Note 2)	9,137,698	16,168,783	15,935,701	41,242,182
Accounts receivable	3,665,619	-	-	3,665,619
Prepaid expenses	<u>58,883</u>	<u>-</u>	<u>-</u>	<u>58,883</u>
Total Current Assets	<u>15,712,633</u>	<u>20,217,209</u>	<u>19,903,873</u>	<u>55,833,715</u>
<b>NON-CURRENT ASSETS</b>				
Capital assets (net of accumulation depreciation) (Note 3)	80,449,856	-	-	80,449,856
Advance to other funds (Note 4)	<u>-</u>	<u>4,929,804</u>	<u>-</u>	<u>4,929,804</u>
Total Non-Current Assets	<u>80,449,856</u>	<u>4,929,804</u>	<u>-</u>	<u>85,379,660</u>
<b>TOTAL ASSETS</b>	<u>96,162,489</u>	<u>25,147,013</u>	<u>19,903,873</u>	<u>141,213,375</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Net pension liability (Note 5)	1,536,855	-	-	1,536,855
Net OPEB liability (Note 7)	<u>690,732</u>	<u>-</u>	<u>-</u>	<u>690,732</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,227,587</u>	<u>-</u>	<u>-</u>	<u>2,227,587</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 98,390,076</u>	<u>\$ 25,147,013</u>	<u>\$ 19,903,873</u>	<u>\$ 143,440,962</u>
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,801,686	\$ 77,050	\$ -	\$ 1,878,736
Other accrued liabilities	121,688	-	-	121,688
Compensated absences	<u>239,794</u>	<u>-</u>	<u>-</u>	<u>239,794</u>
Total Current Liabilities	<u>2,163,168</u>	<u>77,050</u>	<u>-</u>	<u>2,240,218</u>
<b>LONG TERM LIABILITIES</b>				
Net pension liability (Note 5)	4,728,860	-	-	4,728,860
Net OPEB liability (Note 7)	1,437,948	-	-	1,437,948
Advance from other funds (Note 4)	<u>4,929,804</u>	<u>-</u>	<u>-</u>	<u>4,929,804</u>
Total Long-Term Liabilities	<u>11,096,612</u>	<u>-</u>	<u>-</u>	<u>11,096,612</u>
<b>TOTAL LIABILITIES</b>	<u>13,259,780</u>	<u>77,050</u>	<u>-</u>	<u>13,336,830</u>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>				
Net pension liability (Note 5)	404,432	-	-	404,432
Net OPEB liability (Note 7)	<u>826,335</u>	<u>-</u>	<u>-</u>	<u>826,335</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>1,230,767</u>	<u>-</u>	<u>-</u>	<u>1,230,767</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	75,520,052	-	-	75,520,052
Unrestricted	8,379,477	20,140,159	19,903,873	48,423,509
Restricted	<u>-</u>	<u>4,929,804</u>	<u>-</u>	<u>4,929,804</u>
<b>TOTAL NET POSITION</b>	<u>83,899,529</u>	<u>25,069,963</u>	<u>19,903,873</u>	<u>128,873,365</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 98,390,076</u>	<u>\$ 25,147,013</u>	<u>\$ 19,903,873</u>	<u>\$ 143,440,962</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<b><u>OPERATING REVENUE</u></b>				
Sewer charges	\$ 12,694,346	\$ -	\$ -	\$ 12,694,346
Connection charges	-	2,520,400	-	2,520,400
Permits, fees, and inspections	<u>338,446</u>	<u>-</u>	<u>-</u>	<u>338,446</u>
Total Operating Revenues	<u>13,032,792</u>	<u>2,520,400</u>	<u>-</u>	<u>15,553,192</u>
<b><u>OPERATING EXPENSES</u></b>				
Collection and treatment	7,393,545	-	13,164	7,406,709
Administrative and general	1,745,033	-	-	1,745,033
Technical services	3,237,207	-	-	3,237,207
Depreciation	<u>1,423,548</u>	<u>-</u>	<u>-</u>	<u>1,423,548</u>
Total Operating Expenses	<u>13,799,333</u>	<u>-</u>	<u>13,164</u>	<u>13,812,497</u>
Operating income (loss)	<u>(766,541)</u>	<u>2,520,400</u>	<u>(13,164)</u>	<u>1,740,695</u>
<b><u>NON-OPERATING REVENUE (EXPENSES)</u></b>				
Tax revenue	929,449	-	-	929,449
Gain (loss) on sale of asset	63,498	-	-	63,498
Interest income	45,706	197,569	78,658	321,933
Interest expense	<u>(119,120)</u>	<u>-</u>	<u>-</u>	<u>(119,120)</u>
Total Nonoperating revenues	<u>919,533</u>	<u>197,569</u>	<u>78,658</u>	<u>1,195,760</u>
<b><u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u></b>				
Capital Contributions	6,680,289	-	-	6,680,289
Transfers in	4,126,098	-	1,343,872	5,469,970
Transfers out	<u>(1,343,872)</u>	<u>(2,795,390)</u>	<u>(1,330,708)</u>	<u>(5,469,970)</u>
Total Transfers and Capital Contributions	<u>9,462,515</u>	<u>(2,795,390)</u>	<u>13,164</u>	<u>6,680,289</u>
<b>CHANGE IN NET POSITION</b>	<u>9,615,507</u>	<u>(77,421)</u>	<u>78,658</u>	<u>9,616,744</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>75,906,022</u>	<u>25,147,384</u>	<u>19,825,215</u>	<u>120,878,621</u>
<b>PRIOR PERIOD ADJUSTMENT (Note 10)</b>	<u>(1,622,000)</u>	<u>-</u>	<u>-</u>	<u>(1,622,000)</u>
<b>NET ASSETS, BEGINNING OF YEAR - RESTATED</b>	<u>74,284,022</u>	<u>25,147,384</u>	<u>19,825,215</u>	<u>119,256,621</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 83,899,529</u>	<u>\$ 25,069,963</u>	<u>\$ 19,903,873</u>	<u>\$128,873,365</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 13,226,316	\$ 2,597,450	\$ -	\$ 15,823,766
Payments to suppliers	(8,153,218)	-	(13,164)	(8,166,382)
Payments to employees	<u>(3,792,730)</u>	<u>-</u>	<u>-</u>	<u>(3,792,730)</u>
Net Cash Provided by (Used for) Operating Activities	<u>1,280,368</u>	<u>2,597,450</u>	<u>(13,164)</u>	<u>3,864,654</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Tax revenue	929,449	-	-	929,449
Net transfers to operating fund	2,782,226	-	-	2,782,226
Net transfers to/from capital funds	<u>-</u>	<u>(2,795,390)</u>	<u>13,164</u>	<u>(2,782,226)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>3,711,675</u>	<u>(2,795,390)</u>	<u>13,164</u>	<u>929,449</u>
<b><u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u></b>				
Acquisition and construction of capital assets	(8,956,992)	-	-	(8,956,992)
Change in advances from other funds	<u>-</u>	<u>80,622</u>	<u>-</u>	<u>80,622</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(8,956,992)</u>	<u>80,622</u>	<u>-</u>	<u>(8,876,370)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest income	45,706	197,569	78,658	321,933
Interest expense	(119,120)	-	-	(119,120)
Proceeds from sale of assets	67,000	-	-	67,000
Purchase of investments	<u>(10,830)</u>	<u>(19,276)</u>	<u>(18,892)</u>	<u>(48,998)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(17,244)</u>	<u>178,293</u>	<u>59,766</u>	<u>220,815</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(3,982,193)</u>	<u>60,975</u>	<u>59,766</u>	<u>(3,861,452)</u>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2017</b>	<u>6,832,626</u>	<u>3,987,451</u>	<u>3,908,406</u>	<u>14,728,483</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2018</b>	<u>\$ 2,850,433</u>	<u>\$ 4,048,426</u>	<u>\$ 3,968,172</u>	<u>\$ 10,867,031</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

	<b>Operating Fund</b>	<b>Capital Improvement Fund</b>	<b>Capital Replacement Fund</b>	<b>Total</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>				
<b>OPERATING INCOME (LOSS)</b>	\$ (766,541)	\$ 2,520,400	\$ (13,164)	\$ 1,740,695
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,423,548	-	-	1,423,548
Changes in assets and liabilities:				
Increase in deferred inflows	833,771	-	-	833,771
Increase in deferred outflows	(1,099,996)	-	-	(1,099,996)
Decrease in accounts receivable	274,146	-	-	274,146
Increase in prepaid expenses	(41,347)	-	-	(41,347)
Decrease in other payables	(122,502)	-	-	(122,502)
Increase in accounts payable	362,978	77,050	-	440,028
Increase in compensated absences	37,089	-	-	37,089
Decrease in advances to other funds	(80,622)	-	-	(80,622)
Increase in net pension liability	643,896	-	-	643,896
Decrease in net OPEB liability	(184,052)	-	-	(184,052)
Total adjustments	<u>2,046,909</u>	<u>77,050</u>	<u>-</u>	<u>2,123,959</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 1,280,368</u>	<u>\$ 2,597,450</u>	<u>\$ (13,164)</u>	<u>\$ 3,864,654</u>
<b><u>NON-CASH CAPITAL ACTIVITIES</u></b>				
Non-cash capital contributions	<u>\$ 6,680,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The South Placer Municipal Utility District (the "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.

**Basis of Presentation**

The basic financial statements of the South Placer Municipal Utility District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Basis of Accounting**

The South Placer Municipal Utility District follows the enterprise method of accounting practices and reporting methods approved for waste disposal districts. An enterprise type fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses excluding depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

Operating revenues are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

As described below, the client maintains three major funds to run their operations:

*Operating Fund* - The purpose of the Operating Fund is to ensure that the district will have sufficient funding available at all times to meet its operating obligations. Operating revenue is flat rate and consistent over the year. Delinquencies are trued up through tax liens which are recoverable twice a year. Operating expenses are generally incurred uniformly over the year, however, work can be planned or deferred during the year to accommodate minor fluctuations in revenue. The source of funding for this reserve is from Sewer Service Charges.

*Capital Improvement Fund* - The purpose of the Capital Improvement Fund is to fund on a pay-as-you-go basis future capital facilities that are expansion or growth related. These capital improvements will be identified in a Wastewater Collection Master Plan, a System Evaluation and Capacity Assurance Plan or other such capital improvement plan designated by the District. These funds are accumulated in an orderly manner in conformance with State law and drawn down as required by growth related projected. The source of funding for the Capital Improvement Fund is the Sewer Participation Fee.

*Capital Replacement Fund* - The purpose of this fund is to accumulate the probable replacement cost of equipment each year over the life of the asset, so it can be replaced readily when it becomes obsolete, are totally depreciated or are scheduled for replacement. Annual depreciation is calculated as a function of the depreciation schedule maintained within the District's Financial Management Software. The source of funding for this reserve is in the form of an annual operating expense (transfer) to the Capital Replacement Fund. The District incurs an annual expense equivalent to the annual depreciation and accumulates this balance in the Capital Replacement Fund to fund replacements of assets that have reached their useful life or are fully depreciated.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Cash and Cash Equivalents**

For the purpose of the cash flows the District defines 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 deposits in financial institutions, cash with Placer County, and deposits with the State of California Local Agency Investment Fund (LAIF).

**Fair Value Inputs, Methodologies and Hierarchy**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the assets. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

**Level 1** Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that are accessible to the District.

**Level 2** Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other marketcorroborated inputs.)

**Level 3** Unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**Receivables and Payables**

Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**Prepaid Expenses**

Certain payments for health insurance and liability insurance reflect costs applicable to future accounting periods and are recorded as prepaid items.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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

**Capital Contributions**

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

**Risk Management**

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

**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 by 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, 2018, restricted net position, totaling \$4,929,804, consisted of the total outstanding Newcastle Sanitary District (NSD) loan receivable balance (see note 4). 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 adoption of levying of a project-related service charge (PRSC) for the repayment of said financing. Under SPMUD Resolutions 12-19 and 13-13, 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."

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Compensated Absences**

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

**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.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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.

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position, or balance sheet, will sometimes report a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position of fund balance that applies to a future period(s) and so will be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position, or balance sheet, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Participation Agreements**

The District has extended credit to a small number of commercial customers to pay for connection fees over time in periods up to 5 years. These contracts, also known as deferred participation agreements are recorded as revenue when the contracts are approved and executed. The District collects the receivable and interest for these contracts at the current Wall Street Journal Prime rate +2% per annum, as designated in the agreement. In the event of default or non-payment of the fees the District may impose a lien on the property to collect fees through property taxes.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Subsequent Events**

Subsequent events have been evaluated through November 12, 2018, which is the date the financial statements were issued.

**Implementation of Government Accounting Standards Board Statements**

Effective July 1, 2017, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB), and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

**Future Government Accounting Standards Board Statements**

These statements are not effective until July 1, 2018 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Government Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishments Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

of this statement is effective for the District's fiscal year ending June 30, 2019.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the District's fiscal year ending June 30, 2021. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

Government Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2020.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2021.

Government Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interests reported as an investment and majority equity interest reported as a component unit of the governmental entity. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2020.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 2: CASH AND INVESTMENTS**

The components of the District's cash and cash equivalents at June 30, 2018 are as follows:

	<u>June 30, 2018</u>
<u>Cash and cash equivalents:</u>	
Unrestricted deposits in financial institutions	\$ 575,599
Placer County Treasury	5,177,180
Local Agency Investment Fund (LAIF)	<u>5,114,252</u>
Total cash and cash equivalents	<u>10,867,031</u>
<u>Investments:</u>	
Fixed income securities	20,462,410
Money market mutual fund	1,504,433
CalTrust investment fund	<u>19,275,339</u>
Total investments	<u>41,242,182</u>
<b>Total cash and investments</b>	<b><u>\$ 52,109,213</u></b>

**Authorized Investments of the District**

The table below identifies the investment types that are authorized for the South Placer Municipal Utility District (District) by California Government Code 53601 (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 addresses 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>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Investment pools authorized under CA statute governed by Government Code:			\$40 Million
Local Agency Investment Fund (LAIF)	N/A	75%	No Limit
Placer County Treasurer's Investment Pool	N/A	75%	No Limit
Investment Trust of CA (CalTRUST)	N/A	75%	No Limit
Bank Savings Account	N/A	75%	No Limit
Federal Agencies	5 years	No Limit	No Limit
Commercial Paper	270 Days	15%	No Limit
Negotiable Certificates of Deposits	270 Days	30%	No Limit
Repurchase Agreements	180 Days	20%	No Limit
U.S. Treasury Obligations	5 years	No Limit	No Limit
Any other allowed investments under CGC 53601	Limited	20%	No Limit

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 2: CASH AND INVESTMENTS (continued)**

**Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk in the market rate changes that could adversely affect the fair values of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2018:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Fixed income securities	\$ 3,220,255	\$ 17,242,155	\$ 20,462,410
Money market mutual funds	1,504,433	-	1,504,433
Local Agency Investment Fund	5,114,252	-	5,114,252
CalTRUST	19,275,339	-	19,275,339
Placer County Treasury's Investment Pool	<u>5,177,180</u>	<u>-</u>	<u>5,177,180</u>
	<u>\$ 34,291,459</u>	<u>\$ 17,242,155</u>	<u>\$ 51,533,614</u>

**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.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 2: CASH AND INVESTMENTS (continued)**

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Agency Investment Fund	\$ 5,114,252			Not rated
Placer County Treasury's Investment Pool	5,177,180			Not rated
CalTRUST	19,275,339			Not rated
Fixed income securities	20,462,410	AAAm		
Money market mutual funds	<u>1,504,433</u>	AAAm		
	<u>\$ 51,533,614</u>			

**Concentration 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.

**Investment in State Investment Pool and Other Investments**

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.

The District is a voluntary participant in the Placer County Treasurer's Investment Portfolio that is administered by the Placer County Treasurer. Its primary objectives are to safeguard the principal of the funds under its control and to meet any liquidity needs of the depositor. Maximizing the rate of return is performed consistent with the objectives of safeguarding principal and meeting liquidity needs.

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 the County Treasurer for the entire portfolio under its control.

The District is a voluntary participant in the Investment Trust of California (CalTrust). CalTrust is a program operated by the joint powers authority to offer a high level of current income consistent with preservation of principal. It offers short and medium term bond funds. The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that participants are willing to assume in obtaining such return.

The District has a portfolio Brokerage account managed by Wells Fargo Securities. This portfolio is primarily invested in bonds issued by government sponsored enterprises. The portfolio is organized with staggered maturity dates. This structure assures part of the portfolio is liquidating at par value on a regular basis.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
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**NOTE 2: CASH AND INVESTMENTS (continued)**

**Investment Valuation**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ -	\$ 20,462,410	\$ -	\$ 20,462,410
Money market mutual funds	<u>1,504,433</u>	<u>-</u>	<u>-</u>	<u>1,504,433</u>
Total assets at fair value	<u>\$ 1,504,433</u>	<u>\$ 20,462,410</u>	<u>\$ -</u>	<u>\$ 21,966,843</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 1,151,561	\$ 22,623	\$ -	\$ 1,174,184
Construction in Progress	<u>1,242,593</u>	<u>6,505,043</u>	<u>-</u>	<u>7,747,636</u>
<b>Total capital assets not depreciated</b>	<u>2,394,154</u>	<u>6,527,666</u>	<u>-</u>	<u>8,921,820</u>
<b>Capital assets being depreciated</b>				
Buildings	3,249,610	6,280	(9,860)	3,246,030
Sewer System	78,032,773	7,981,624	-	86,014,397
Equipment	1,444,011	212,890	(31,880)	1,625,021
Office Furniture	223,203	-	-	223,203
Vehicles	<u>1,656,928</u>	<u>908,821</u>	<u>(508,362)</u>	<u>2,057,387</u>
<b>Total capital assets being depreciated</b>	<u>84,606,525</u>	<u>9,109,615</u>	<u>(550,102)</u>	<u>93,166,038</u>
<b>Less: accumulated depreciation</b>				
Buildings	(1,762,804)	(138,142)	9,859	(1,891,087)
Sewer System	(16,837,317)	(1,071,632)	-	(17,908,949)
Equipment	(796,989)	(122,629)	28,378	(891,240)
Office Furniture	(200,264)	(7,827)	-	(208,091)
Vehicles	<u>(1,163,680)</u>	<u>(83,318)</u>	<u>508,363</u>	<u>(738,635)</u>
<b>Total accumulated depreciation</b>	<u>(20,761,054)</u>	<u>(1,423,548)</u>	<u>546,600</u>	<u>(21,638,002)</u>
<b>Capital Assets, net</b>	<u>\$ 66,239,625</u>	<u>\$ 14,213,733</u>	<u>\$ (3,502)</u>	<u>\$ 80,449,856</u>

Depreciation expense for the year ended June 30, 2018 totaled \$1,423,548.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4: INTERFUND TRANSACTIONS**

**Advances to/from Other Funds**

The composition of interfund balances as of June 30, 2018 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
Capital Improvement Fund	Operating Fund	Loan for Newcastle residents	\$ 4,929,804

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. 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 total outstanding loan amount as of June 30, 2018 was 4,929,804, and is classified as restricted on the statement of net position.

**Interfund Transfers to/from Other Funds**

Transfer between funds during the fiscal year ended June 30, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Capital Improvement Fund	Operating Fund	Capital Asset Purchase	\$ 2,795,390
Capital Replacement Fund	Operating Fund	Capital Asset Purchase	1,330,708
Operating Fund	Capital Replacement Fund	Depreciation Reserve	<u>1,343,872</u>
		Total Interfund Transfers	<u>\$ 5,469,970</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
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**NOTE 5: DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent full time and part-time District employees working at least 1,000 hours per year are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans (all miscellaneous). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. 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 contributed the employee required contribution. For those employees hired on or after April 20th, 2012 the District had implemented a 2% @ 55 Tier II plan which reduced the amount of employee contribution paid by the District to 7%. Effective July 1st, 2017 all employees pay the CalPERS employee share. 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 contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

	<b>Miscellaneous</b>		
	Tier I	Tier II	Tier III
Hire date	Prior to April 20, 2012	April 20, 2012 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	2.0%
Required employee contribution rates	8.000%	7.000	6.250%
Required employer contribution rates	30.813%	8.444%	6.565%

\* Employer contribution rates include the employer normal cost rate and the unfunded accrued liability contribution.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)**

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the year ended June 30, 2018 were \$424,946.

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2018, the District reported a net pension liability of \$4,728,860 for its proportionate shares of the net pension liability of the Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2016	0.1176%
Proportion - June 30, 2017	0.1200%
Change - Increase (Decrease)	0.0024%

For the year ended June 30, 2018, the District recognized pension expense of \$497,945. At June 30, 2018, the District 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
Pension contributions subsequent to measurement date	\$ 424,946	\$ -
Net difference between projected and actual earnings on plan investments	168,863	-
Changes in assumptions	746,665	56,935
Differences between expected and actual experience	6,018	86,215
Adjustment due to differences in proportions	190,363	1,008
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	-	260,274
Total	\$ 1,536,855	\$ 404,432

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)**

\$424,946 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,		
2019	\$	177,249
2020	\$	396,234
2021	\$	234,253
2022	\$	(100,259)

**C. Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.38% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived Using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more on this table, please refer to the 2014 Experience Study Report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 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.

**D. Changes in Assumptions** – The discount rate used to measure the total pension liability was lowered from 7.65 percent to 7.15 percent during the measurement period ended June 30, 2017.

**E. Discount Rate** – The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5: DEFINED BENEFIT PENSION PLAN (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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Assets	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$7,190,081
Current Discount Rate	7.15%
Net Pension Liability	\$4,728,860
1% Increase	8.15%
Net Pension Liability	\$2,690,432

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
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**NOTE 6: DEFERRED COMPENSATION PLAN**

Employees of the 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 and Mass Mutual as the third party administrators of the plan assets. Due to the fact that the District does not administer these plans, 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 \$79,099.

**NOTE 7: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

***Description of the Plan***

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 Kaiser. 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, 2018, there were 16 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).

***Employees Covered***

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	27
Inactive employees currently receiving benefits	<u>16</u>
Total	<u><u>43</u></u>

***Contributions***

The District's policy is to fully fund the actuarially determined contribution. The District makes the contributions on behalf of the participants. For the fiscal year ended June 30, 2018, the District contributed \$274,870.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
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**NOTE 7: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

***Net OPEB Liability***

The District's net OPEB liability ("NOL") was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.73%
Discount Rates	6.73%
Participates Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Assumed Wage Inflation	3.00% per annum
Salary Increases	3.25% per annum
General Inflation Rate	2.75% per annum
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally
Healthcare Trend Rate	7.50% per annum

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.73% based on an assumption that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

***Changes in the OPEB Liability***

The District invoked Paragraph 244 of GASB 75 for the transition. Consequently, in order to determine the beginning NOL, the District used a "roll-back" technique. The following table shows the results of the roll-back. The June 30, 2017 NOL was restated accordingly.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Roll back balance at June 30, 2017	\$ 5,835,955	\$ 3,866,661	\$ 1,969,294
Service cost	167,083	-	167,083
Interest cost	424,380	-	424,380
Expected investment income	-	281,418	(281,418)
Employer contributions	-	347,294	(347,294)
Administrative expenses	-	(2,072)	2,072
Benefit payments	(347,294)	(347,294)	-
Assumption changes	497,052	-	497,052
Plan experience	(866,361)	-	(866,361)
Investment experience	-	126,860	(126,860)
Net change during 2017-18	<u>(125,140)</u>	<u>406,206</u>	<u>(531,346)</u>
Balance at June 30, 2018	<u>\$ 5,710,815</u>	<u>\$ 4,272,867</u>	<u>\$ 1,437,948</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following represents the Net OPEB Liability of the District if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.73%)	Current Discount Rate (6.73%)	1% Increase (7.73%)
Net OPEB Liability	\$ <u>2,177,832</u>	\$ <u>1,437,948</u>	\$ <u>828,640</u>

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following represents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	\$ <u>773,837</u>	\$ <u>1,437,948</u>	\$ <u>2,305,569</u>

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line recognition
All other amounts	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service year.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 7: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

***OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$162,637. As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 274,870	\$ -
Changes of assumptions	415,862	-
Net difference between projected and actual earnings on OPEB plan investments	-	101,488
Differences between expected and actual experience	<u>-</u>	<u>724,847</u>
Total	<u>\$ 690,732</u>	<u>\$ 826,335</u>

\$274,870 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

<u>For the Fiscal Year Ending June 30,</u>	<u>Recognized Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ (85,696)
2020	\$ (85,696)
2021	\$ (85,696)
2022	\$ (85,696)
2023	\$ (60,324)
Thereafter	\$ (7,365)

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**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, 2018 was \$5,530,094. The financial statements for the South Placer Wastewater Authority are available online at [https://roseville.ca.us/government/departments/finance/general\\_accounting\\_department/south\\_placer\\_wastewater\\_a  
uthority](https://roseville.ca.us/government/departments/finance/general_accounting_department/south_placer_wastewater_authority).

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, 2018 for maintenance and operation expenses was \$5,003,758 and an additional \$2,159,674 for the District's 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. The District's insurance carrier also covers defense costs that are not recovered from the opposing side upon successful resolution.

At June 30, 2018, the District had commitments with respect to various engineering services and construction projects.

Over the years, a number of agreements have been entered into by the District and local developers for installation of wastewater servicing facilities to the developer's projects. The developers constructed and installed the wastewater facilities at their own expense and thereafter dedicated said facilities to the District for public use. In return the Developers will receive partial reimbursement from construction fees actually collected on the properties within the project area, through the Agreement period. 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>
Croftwood Offsite Sewer (Sierra College)	\$ 186,010	1,958
Sierra College Annexation	\$ 1,094,218	612
Yankee Hill Estates (Middle Antelope Creek)	\$ 217,375	925
Rocklin 60 - Phase I	\$ 68,255	999
Rocklin 60 - Phase II	\$ 139,621	999
Rocklin 60 - Phase III	\$ 785,764	999
Granite Bluff	\$ 36,856	40
Massie Trust - 3264 Taylor Road	\$ 185,614	80

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

**NOTE 10: PRIOR PERIOD ADJUSTMENTS**

For the year ending June 30, 2018, the District implemented GASB 75 for their valuation of their Net Other Post Employment Benefits. As mentioned in Note 7, the district used a "roll-back" technique for net OPEB Liability at the beginning of the year. As a result of the roll-back, the district determined that an net OPEB liability totalling \$1,969,294 and deferred outflows of resources totalling \$347,294 should have been recorded as of June 30, 2017. Therefore, the overall change of \$1,622,000 was recorded as a decrease in beginning net position.

**Required Supplementary Information**

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2018  
LAST 10 YEARS\***

	Measurement Period		
	2017	2016	2015
Proportion of the net pension liability	0.11996 %	0.11759 %	0.11300 %
Proportionate share of the net pension liability	\$ 4,728,860	\$ 4,084,964	\$ 2,403,545
Covered - employee payroll	\$ 1,897,932	\$ 1,772,689	\$ 1,582,401
Proportionate share of the net pension liability as a percentage of covered - employee payroll	249.16 %	230.44 %	151.89 %
Plan fiduciary net position as a percentage of the total pension liability	73.31 %	74.06 %	78.40 %

**Notes to Schedule:**

**Changes in assumptions:** For the measurement period ended June 30, 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, the discount rate remained at 7.65 percent. In 2015, amount reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50 percent discount rate.

\*Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation. The schedule above is only three years as shown. Fiscal year 2015 numbers are available from prior year disclosure information. Additional years' information will be displayed as it becomes available.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN  
AS OF JUNE 30, 2018  
LAST 10 YEARS\***

	<u>2018</u>	Fiscal Year-End <u>2017</u>	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 424,946	\$ 369,153	\$ 164,024
Contributions in relation to the actuarially determined contributions	<u>(424,946)</u>	<u>(369,153)</u>	<u>(164,024)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	2,347,526	1,897,932	1,772,689
Contributions as a percentage of covered - employee payroll	18.10 %	19.45 %	9.25 %

\*Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation. The schedule above is only three years as shown. Fiscal year 2015 numbers are available from prior year disclosure information. Additional years' information will be displayed as it becomes available.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
For the Measurement Periods Ended June 30  
Last 10 Years\***

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 167,083
Interest	424,380
Difference between expected and actual experience	(866,361)
Changes in assumptions	497,052
Benefit payments	(347,294)
Net change in total OPEB liability	(125,140)
Total OPEB liability, beginning	5,835,955
Total OPEB liability, ending (a)	\$ 5,710,815
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 347,294
Net investment income	408,278
Benefit payments	(347,294)
Administrative expenses	(2,072)
Net change in plan fiduciary net position	406,206
Plan fiduciary net position, beginning	3,866,661
Plan fiduciary net position, ending (b)	\$ 4,272,867
District's net OPEB liability, ending (a) - (b)	\$ 1,437,948
Plan fiduciary net position as a percentage of the total OPEB liability	74.82 %
Covered-employee payroll	\$ 2,332,507
District's net OPEB liability as a percentage of covered-employee payroll	61.65 %

**Notes to Schedule:**

Changes of assumptions: The discount rate was changed from 7.28 percent (net of administrative expense) to 6.73 percent for the measurement period ended June 30, 2017.

\* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS  
For the Fiscal Year Ended June 30  
Last 10 Years\***

	2018
Actuarilly Determined Contribution (ADC)	\$ 292,275
Contributions in relation to the ADC	(274,870)
Contribution deficiency (excess)**	\$ 17,405
Covered-employee payroll	2,332,507
Contributions as a percentage of covered-employee payroll	11.78%

\* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

\*\* The District has consistently contributed 100% or more of the ADC each year for at least the past 5 years. In July 2018, the District deposited an additional \$17,405. This amount, when added to the contributions shown above, fully satisfies the fiscal year end 2018 ADC shown above.

**Supplementary Information**

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
AS OF JUNE 30, 2018**

	<u>Administrative and General</u>	<u>Collection and Treatment</u>	<u>Technical Services</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	\$ 1,033,480	\$ 1,828,544	\$ 775,857	\$ 3,637,881
CalPERS UAL	263,855	-	-	263,855
Insurance	119,949	-	-	119,949
Professional Services	42,918	8,170	38,036	89,124
Vehicle Expenses	-	124,007	-	124,007
Professional Development	16,658	21,531	8,140	46,329
Legal	31,994	-	-	31,994
Utility Billing / Banking Expenses	160,606	-	-	160,606
Operating Supplies	75,573	154,657	125,024	355,254
Capital Expenses	-	13,164	-	13,164
Uniform Expenses	-	17,086	480	17,566
Buildings / Utilities	-	235,792	-	235,792
RWWTP Expenses	-	<u>5,003,758</u>	<u>2,289,670</u>	<u>7,293,428</u>
<b>EXPENSES BEFORE DEPRECIATION</b>	<u>\$ 1,745,033</u>	<u>\$ 7,406,709</u>	<u>\$ 3,237,207</u>	<u>12,388,949</u>
Depreciation				<u>1,423,548</u>
<b>TOTAL OPERATING EXPENSES</b>				<u>\$ 13,812,497</u>

**SOUTH PLACER  
MUNICIPAL UTILITY  
DISTRICT**

**STATISTICAL SECTION  
FISCAL YEAR ENDING  
JUNE 30, 2018**

## STATISTICAL SECTION

The Statistical Section of the South Placer Municipal Utility District Comprehensive Annual Financial Report presents detailed information as a context for understanding the District's economic condition and overall health.

### **CONTENTS**

#### **Financial Trends Data**

These schedules contain financial trend information for the District's financial performance.

1. Changes in Net Position
2. EDU Connections by Fiscal Year.

#### **Revenue Capacity Data**

These schedules contain information to help the reader access the District's most significant local revenue source.

3. Delinquent Accounts - Equal Dwelling Units – Sewer Service Charges
4. Annual/Monthly Sewer Rates/Participation Fees & Rate Comparison

#### **Debt Capacity Data**

This narrative presents information regarding the District's participation and debt burden through the South Placer Wastewater Authority (SPWA).

#### **Demographic & Economic Information**

These schedules contain demographic information for Placer County

5. Ten Largest District Customers
6. County Demographics, unemployment
7. Placer County Largest Employers
8. Property Taxes

#### **Operating Information**

These schedules provide information on the Districts infrastructure replacement program and details spending on current large projects.

9. Capital Spending
10. Detail of Capital Spending



Sources: Unless otherwise noted, the information in these schedules is derived from the District Annual Financial Reports for the relevant year.

## **1. CHANGES IN NET POSITION**

### **LAST TEN YEARS**

These schedules contain financial trend information for the District's financial performance for the last ten years.

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>OPERATING REVENUES:</b>					
Sewer charges	10,202,898	10,758,026	10,911,091	11,196,600	12,694,346
Connections charges	1,005,529	888,198	1,443,773	4,700,227	2,520,400
Permits, Fees and Inspections	538,220	274,971	443,885	475,524	338,446
Total Operating Revenues	<u>11,746,647</u>	<u>11,921,195</u>	<u>12,798,749</u>	<u>16,372,351</u>	<u>15,553,192</u>
<b>OPERATING EXPENSES:</b>					
Collection & Treatment	6,418,108	6,403,314	6,476,122	6,756,711	7,406,709
Administrative & General	1,104,119	1,332,209	1,269,273	2,226,083	1,745,033
Technical Services	704,383	1,818,102	2,106,383	2,443,940	3,237,207
Depreciation	1,088,844	1,163,361	1,381,819	1,343,872	1,423,548
Total Operating Expenses	<u>9,315,454</u>	<u>10,716,986</u>	<u>11,233,597</u>	<u>12,770,606</u>	<u>13,812,497</u>
Operating Income (loss)	<u>2,431,193</u>	<u>1,204,209</u>	<u>1,565,152</u>	<u>3,601,745</u>	<u>1,740,695</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Tax Revenue	893,954	686,237	790,587	874,218	929,449
Gain (loss) on sale of asset	-	-	-	(27,186)	63,498
Interest Income	545,196	513,964	825,604	193,023	321,933
Interest Expense	14,544	(129,039)	(122,564)	(120,912)	(119,120)
Total Non-Operating Revenues	<u>1,453,694</u>	<u>1,071,162</u>	<u>1,493,627</u>	<u>919,143</u>	<u>1,195,760</u>
<b>TRANSFERS &amp; CAPITAL CONTRIBUTIONS:</b>					
Capital Contributions	4,099,981	2,651,181	1,957,751	2,819,904	6,680,289
Transfers In	1,527,718	1,027,284	2,451,218	4,128,264	5,469,970
Transfers Out	(1,527,718)	(1,027,284)	(2,451,218)	(4,128,264)	(5,469,970)
Total Transfers & Capital Contributions	<u>4,099,981</u>	<u>2,651,181</u>	<u>1,957,751</u>	<u>2,819,904</u>	<u>6,680,289</u>
<b>INCREASE IN NET POSIITON:</b>	<u>7,984,868</u>	<u>4,926,552</u>	<u>5,016,530</u>	<u>7,340,792</u>	<u>9,616,744</u>
<b>NET POSITION, BEGINNING OF YEAR:</b>	<u>98,782,297</u>	<u>106,767,165</u>	<u>108,521,299</u>	<u>113,537,829</u>	<u>120,878,621</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>(3,172,418)</u>	<u>-</u>	<u>-</u>	<u>(1,622,000)</u>
<b>NET POSITION, END OF YEAR:</b>	<u>106,767,165</u>	<u>108,521,299</u>	<u>113,537,829</u>	<u>120,878,621</u>	<u>128,873,365</u>

## CHANGES IN NET POSITION – continued

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>OPERATING REVENUES:</b>					
Sewer charges	7,250,894	7,827,078	8,599,106	9,489,453	10,260,093
Connections charges	696,125	376,895	267,268	411,250	680,755
Permits, Fees and Inspections	102,231	53,592	51,049	44,720	132,774
Total Operating Revenues	<u>8,049,250</u>	<u>8,257,565</u>	<u>8,917,423</u>	<u>9,945,423</u>	<u>11,073,622</u>
<b>OPERATING EXPENSES:</b>					
Collection & Treatment	6,927,431	7,811,646	8,665,187	7,060,338	6,080,773
Administrative & General	1,130,248	978,741	1,032,454	998,869	1,054,767
Technical Services	-	657,671	617,663	667,200	688,465
Depreciation	1,058,521	1,059,168	1,067,596	1,052,093	1,022,054
Total Operating Expenses	<u>9,116,200</u>	<u>10,507,226</u>	<u>11,382,900</u>	<u>9,778,500</u>	<u>8,846,059</u>
Operating Income (loss)	<u>(1,066,950)</u>	<u>(2,249,661)</u>	<u>(2,465,477)</u>	<u>166,923</u>	<u>2,227,563</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Tax Revenue	718,957	655,680	607,420	575,130	610,400
Gain (loss) on sale of asset	496,039	-	7,279	312	4,039
Interest Income	1,059,780	653,106	619,371	643,017	595,320
Interest Expense	39,219	9,523	15,979	10,551	12,271
Total Non-Operating Revenues	<u>2,313,995</u>	<u>1,318,309</u>	<u>1,250,049</u>	<u>1,229,010</u>	<u>1,222,030</u>
<b>TRANSFERS &amp; CAPITAL CONTRIBUTIONS:</b>					
Capital Contributions	477,350	324,280	10,000	342,900	330,760
Transfers In	-	2,516,683	-	-	-
Transfers Out	-	(2,516,683)	-	-	-
Total Transfers & Capital Contributions	<u>477,350</u>	<u>324,280</u>	<u>10,000</u>	<u>342,900</u>	<u>330,760</u>
<b>INCREASE IN NET POSIITON:</b>	<u>1,724,395</u>	<u>(607,072)</u>	<u>(1,205,428)</u>	<u>1,738,833</u>	<u>3,780,353</u>
<b>NET POSITION, BEGINNING OF YEAR:</b>	<u>90,703,247</u>	<u>92,339,286</u>	<u>91,734,163</u>	<u>94,947,491</u>	<u>94,491,070</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(88,356)</u>	<u>1,949</u>	<u>4,418,756</u>	<u>(2,195,254)</u>	<u>510,874</u>
<b>NET POSITION, END OF YEAR:</b>	<u>92,339,286</u>	<u>91,734,163</u>	<u>94,947,491</u>	<u>94,491,070</u>	<u>98,782,297</u>

**2. EQUAL DWELLING CONNECTIONS BY FISCAL YEAR**

<b>FISCAL YEAR</b>	<b>TOTAL EDU'S</b>	<b>EDU INCREASE</b>	<b>% INCREASE</b>
1998/99	18,395	2,033	11.10%
1999/00	20,026	1,631	8.10%
2000/01	21,426	1,353	6.50%
2001/02	23,089	1,663	7.20%
2002/03	24,624	1,535	6.20%
2003/04	25,493	869	3.40%
2004/05	26,160	667	2.50%
2005/06	26,954	783	2.90%
2006/07	27,790	836	3.00%
2007/08	28,665	1,044	3.10%
2008/09	29,130	465	1.60%
2009/10	29,515	385	1.30%
2010/11	29,619	104	0.40%
2011/12	30,124	505	1.70%
2012/13	30,249	125	0.40%
2013/14	30,355	106	0.30%
2013/14	30,670	315	1.00%
2014/15	30,900	230	0.70%
2015/16	31,241	341	1.10%
2016/17	31,834	593	1.90%
2017/18	32,825	991	3.00%
2018/19	33,445	620	1.90%

### 3. COLLECTIONS AND DELINQUENT ACCOUNTS – TOTAL EQUAL DWELLING UNITS/SEWER CHARGES

These schedules contain information about the District’s most significant local revenue source.

FISCAL YEAR SENT TO TAX COLLECTIONS	DELINQUENT RECEIVABLES	DELINQUENT ACCOUNTS	TOTAL EDU'S	SEWER CHARGES
<b>2017-18</b>	336,459.90	845	33,445	12,344,700.00
<b>2016-17</b>	257,783.00	852	32,810	11,196,600.00
<b>2015-16</b>	271,300.00	890	31,834	10,911,100.00
<b>2014-15</b>	244,165.00	820	31,241	10,758,000.00
<b>2013-14</b>	243,315.00	828	30,925	10,203,000.00
<b>2012-13</b>	224,416.00	886	30,595	10,260,000.00
<b>2011-12</b>	209,925.74	898	30,235	9,489,000.00
<b>2010-11</b>	207,530.00	897	29,730	8,600,000.00
<b>2009-10</b>	174,132.00	866	29,626	7,827,000.00
<b>2008-09</b>	145,100.00	798	29,241	7,250,900.00

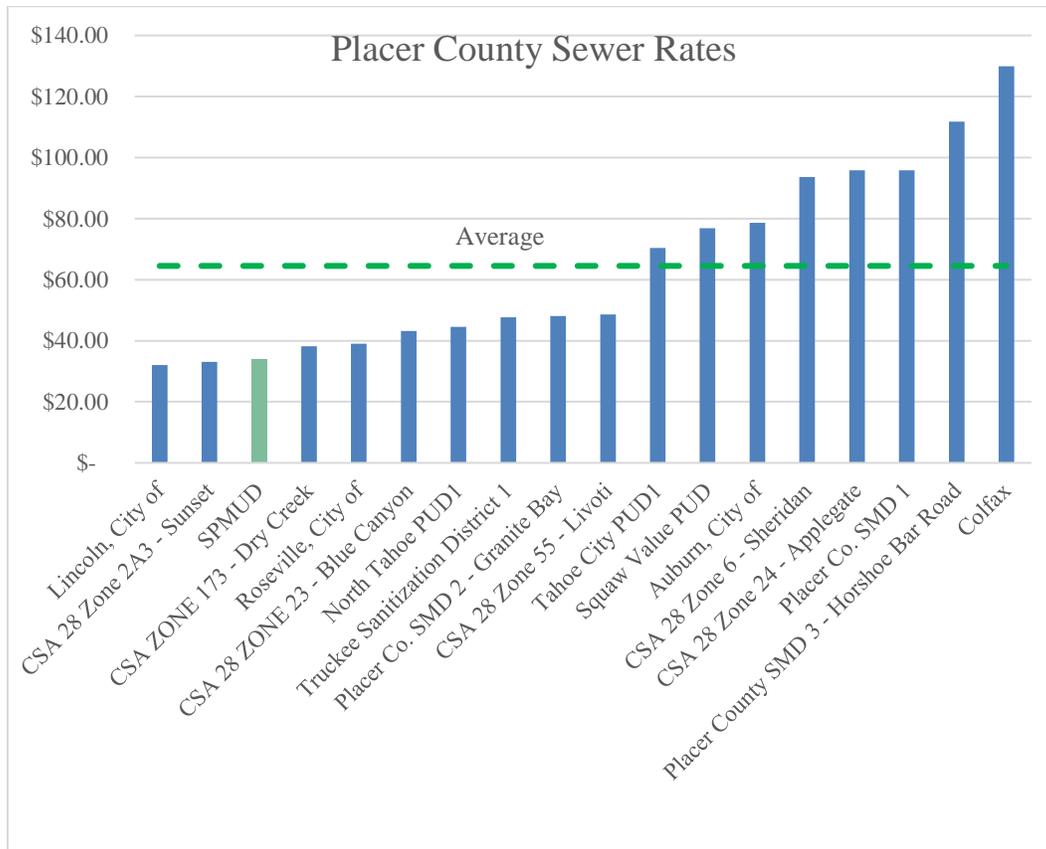
Note: Delinquent Accounts are assigned once each year. The delinquent account balances are collected through the Placer County Property Tax Rolls and paid throughout the year to the District.

#### 4. MONTHLY SEWER RATES/PARTICIPATION FEES & RATE COMPARISON

Last Ten Years

Fiscal Year	SEWER SERVICE RATES		LOCAL SEWER PARTICIPATION FEES	
		PER MONTH		
2018-19	\$	34.00	\$	3,923.00
2017-18	\$	31.00	\$	3,750.00
2016-17	\$	28.00	\$	3,750.00
2015-16	\$	28.00	\$	3,000.00
2014-15	\$	28.00	\$	3,000.00
2013-14	\$	28.00	\$	2,500.00
2012-13	\$	28.00	\$	2,500.00
2011-12	\$	28.00	\$	2,500.00
2010-11	\$	24.00	\$	2,250.00
2009-10	\$	22.00	\$	2,000.00
2008-09	\$	17.00	\$	1,500.00

Below are the rate comparisons between average rates charged by other sanitary districts in Placer County. South Placer Municipal Utility District is among the lowest in the county. The average rate is \$64.51.



## **DEBT ADMINISTRATION**

### **5. DEBT CAPACITY**

The District does not currently have any debt in the sense of conventional loans or bond financing of District Improvements. The District, the City of Roseville and Placer County are participants in the South Placer Wastewater Authority (SPWA) with the intended purpose to finance the construction of the Pleasant Grove Wastewater Treatment Plant through bonds, low-interest loans or other types of debt. As such, the District is subject to the SPWA Funding Agreement and debt indenture. AS of 2016, the District maintained a balance of \$43 Million in the Rate Stabilization Account on deposit with the Authority. Without any changes the District currently has over 21 years of debt service on account with SPWA.

SPWA has programed over \$80 Million in Capital Improvements and Treatment Upgrades at the Placer Grove Wastewater Treatment Plant. These improvements are funded through a blend of bond financing, State Revolving Fund loans and cash payments. SPMUD estimates that an increase of debt payments assigned to the District will be approximately \$1.1 Million over the current 5-year Financial Plan.

In accordance with the SPWA debt indenture, SPMUD has covenanted to prescribe and collect rates and charges sufficient to yield net revenues at least equivalent to 110% of its share of debt service. The source of funding for this reserve can be accounted for from all SPMUD revenues and are expected to provide Debt Coverage Ratio of 110% over the lives of the Bonds.

**6. TEN LARGEST DISTRICT CUSTOMERS**

Last Ten Years

<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
William Jessup University	William Jessup University	Sunset West Apartments	Sunset West Apartments	Sunset West Apartments	MW Investments
Rocklin High Schools	Rocklin High Schools	William Jessup University	William Jessup University	William Jessup University	Sunset West Apartments
Rocklin Elem.Schools	Rocklin Elem.Schools	Rocklin High Schools	Rocklin High Schools	Rocklin High Schools	William Jessup University
Del Oro High School	Del Oro High School	Rocklin Elem.Schools	Rocklin Elem.Schools	Rocklin Elem.Schools	Rocklin High Schools
Sierra College	Sierra College	Del Oro High School	Del Oro High School	Del Oro High School	Rocklin Elem. Schools
Walmart Rocklin	Walmart Rocklin	Sierra College	Sierra College	Sierra College	Del Oro High School
Loomis RV Park	Loomis RV Park	Walmart Rocklin	Walmart Rocklin	Walmart Rocklin	Sierra College
Howard Johnson	Howard Johnson	Loomis RV Park	Loomis RV Park	Loomis RV Park	Walmart Rocklin
Blue Oaks Marketplace	Blue Oaks Marketplace	Howard Johnson	Howard Johnson	Howard Johnson	Loomis RV Park
RC Willey	RC Willey	Blue Oaks Marketplace	Blue Oaks Marketplace	Blue Oaks Marketplace	Studio Movie Grill

<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Sierra College	Sierra College	Sierra College	Sierra College	Sierra College	Sierra College
Whitney High School	Whitney High School	Whitney High School	Whitney High School	Whitney High School	Whitney High School
Rocklin High School	Rocklin High School	Rocklin High School	Rocklin High School	Rocklin High School	Rocklin High School
Del Oro High School	Del Oro High School	William Jessup University	William Jessup University	Del Oro High School	Del Oro High School
Loomis RV Park	Loomis RV Park	Del Oro High School	Del Oro High School	William Jessup University	William Jessup University
Howard Johnson	Howard Johnson	Loomis RV Park	Loomis RV Park	Loomis RV Park	Loomis RV Park
Rocklin Lodging Group	Rocklin Lodging Group	Howard Johnson	Howard Johnson	Howard Johnson	Howard Johnson
Destiny Christian	Destiny Christian	Rocklin Lodging Group	Rocklin Lodging Group	Rocklin Lodging Group	RC Willey
Rocklin Park Hotel	Rocklin Park Hotel	Destiny Christian	Destiny Christian	Destiny Christian	Rocklin Lodging Group
Target	Target	Rocklin Park Hotel	Rocklin Park Hotel	Rocklin Park Hotel	Five Star Plaza

## 7. DEMOGRAPHICS AND ECONOMIC STATISTICS

Employment and Income Statistics - Last Ten Years

<b>Fiscal Year</b>	<b>Placer County Workforce</b>	<b>Employed</b>	<b>Unemployed</b>	<b>Unemployment Rate %</b>	<b>District Population</b>	<b>Income per Capita</b>
2017-18	183,900	177,800	6,100	3.32%	22,675	\$ 76,600
2016-17	179,800	171,800	8,000	4.45%	22,175	\$ 71,435
2015-16	176,800	167,900	8,900	5.03%	21,658	\$ 70,490
2014-15	175,800	164,800	11,000	6.26%	21,003	\$ 70,100
2013-14	175,800	162,300	13,500	7.68%	20,777	\$ 69,800
2012-13	174,900	158,500	16,400	9.38%	20,529	\$ 68,800
2011-12	173,700	154,900	18,800	10.82%	20,500	\$ 68,200
2010-11	173,700	154,900	18,800	10.82%	20,138	\$ 67,900
2009-10	173,300	153,200	20,100	11.60%	20,047	\$ 67,900
2008-09	173,300	153,200	20,100	11.60%	19,688	\$ 67,000
2007-08	179,700	161,400	18,300	10.18%	19,300	\$ 64,400

Sources: State of California, Department of Finance

## 8. PLACER COUNTY LARGEST EMPLOYERS

Current Year and Ten Years ago

<b>2017/18</b>		<b>2008/09</b>	
<b>Business or Organization</b>	<b>Number of Employees</b>	<b>Business or Organization</b>	<b>Number of Employees</b>
Kaiser Permanente	5835	Hewlett Packard Enterprise Co.	3600
Sutter Health	5630	County of Placer	2875
Squaw Valley Alpine Meadows	2600	Kaiser Permanente	2673
Thunder Valley Casino Resort	2114	Thunder Valley Casino Resort	1700
Hewlett Packard Enterprise Co.	2000	Sutter Health	1543
Pride Industries Inc.	1747	Pride Industries Inc.	1479
Roseville City School District	1486	Union Pacific Railroad Company	1400
City of Roseville	1137	Wells Fargo	1320
Adventist Health System	1008	City of Roseville	1319
Union Pacific Railroad Co. Inc	994	Dry Creek Joint Elementary School District	992

Source: Sacramento Business Journal, May 2017

**9. TOP TEN TAXPAYERS – PLACER COUNTY**

<b>Taxpayer Name</b>	<b>Total Tax</b>	<b>Percentage</b>	<b>Net Taxable Value</b>
Pacific Gas & Electric Company	\$ 12,313,926	1.30%	\$ 742,468,290
Roseville Shoppingtown LLC	\$ 4,448,238	0.46%	\$ 421,334,951
Cellco Partnership	\$ 3,519,107	0.37%	\$ 212,326,968
BBC Roseville Oaks LLC	\$ 1,934,975	0.20%	\$ 48,363,529
Roseville Fountains LP	\$ 1,592,974	0.17%	\$ 70,452,372
Liberty Utilities (Calpeco Electric), LLC	\$ 1,426,437	0.15%	\$ 86,064,736
Union Pacific Railroad Company	\$ 1,257,358	0.13%	\$ 87,498,614
Consolidated Communications of CA	\$ 1,190,618	0.12%	\$ 71,973,730
MGP X Properties LLC	\$ 1,175,846	0.12%	\$ 72,822,135
ATC Realty One LLC	\$ 1,147,686	0.12%	\$ 29,800,281

## 10. CAPITAL SPENDING - FY 11/12 TO FY 17/18

CAPITAL PROJECT REVIEW	FY11/12	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18
ACCOUNT CLERK WORKSTATION/CUBICLES	\$ 3,543			\$ 5,585		\$ 8,989	
BOARD ROOM FURNITURE					6,057		
CCTV REPLACEMENT SINGLE COND. CABLE	4,159	4,981					
CCTV SOFTWARE EVALUATION	3,154	4,205	6,308				
CCTV VEHICLE REPLACEMENT			96,950	208,623	3,366	106,792	
CORP YARD STORAGE ENCLOSURE UPGRADE			37,342		53,554		
CORP YARD VEHICLE WASH FACILITY UPGRADES					20,000		
COMPUTER EQUIPMENT	36,444	18,300	19,280	24,452	4,255		9,516
CORP YARD BATHROOM RENOVATION					6,970		
CORP YARD & HQ FIRE AND ENTRY ALARM REPLACEMENT					37,890	5,647	
CORP YARD/HQ SMART T.V. SCREENS					1,615		
CORPORATION YARD EXTERIOR REHABILITATION		3,837	37,342				9,860
CORPORATION YARD MASTER PLAN IMPROVEMENTS						21,528	3,245
CORPORATION YARD PAVEMENT INSTALLATION		20,000	101,437	53,555			
DATA ACQUISITION	19,944	82,030	409,000	33,297	20,915	8,821	4,002
DISTRICT PARTICIPATION IN REGIONAL PROJECTS							129,996
EASEMENT ROADWAY REPLACEMENTS	64,715	52,679		30,740	35,000		22,623
FLAIL MOWER REPLACEMENT				6,581			
FOOTHILL TRUNK PROJECT					216,414	85,535	16,974
GPS SURVEY UNIT					13,539		
HANDS FREE COMMUNICATION					6,500		
HYDRO-VAC EXCAVATION KIT					6,800		
HYDRO CLEANING NOZZLE - CHAIN FLAIL					7,800		
HRF PRE-DESIGN						38,953	
INTERIOR PAINTING				3,950			
LATERAL CAMERA REPLACEMENTS							20,677

CAPITAL SPENDING - CONTINUED

<b>CAPITAL PROJECT REVIEW</b>	<b>FY11/12</b>	<b>FY12/13</b>	<b>FY13/14</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY17/18</b>
LIFT STATION REHAB/PUMP REPLACEMENT	17,339	12,420	12,533	34,817	4,415		
LOWER CLOVER VALLEY TRUNK						45,329	12,149
LOWER LOOMIS "10" TRUNK CIPP LINER				378,941			
LOWER LOOMIS DIVERSION TRUNKLINE PROJECT				69,998	43,119	517,468	6,690,017
NEWCASTLE MASTER PLAN IMPROVEMENTS							222,695
PORTABLE FLOW RECORDER REPLACEMENT					40,000		
PORTABLE GENERATOR REPLACEMENT							106,256
RECONDITION SUPER BACKHOE				15,000			
REMOTE SITE CONTROLS IMPROVEMENTS - SCADA				102,934			
REPLACEMENT 580 SUPER E BACKHOE				86,761			
REPLACEMENT OF MINI-CAMERAS	4,159			28,204			
REPLACEMENT OF VIBRA-PLATE COMPACTOR				2,074			
ROOT FOAMING - HYDRO TRUCK RETROFIT	4,306	4,853	49,694				
RPS HARDWARE/SOFTWARE UPGRADE	10,000	4,500	150,000	51,098			
SAFETY TRAINING AIDS				1,945			
SCADA (Lift Station Control Panel Impr.)	12,511	76,812	88,557	102,933			
SCANNER		7,488					
SEWER CLEANING HEADS	4,306	5,741	8,612	9,980	7,844		
SMART COVERS				9,982			
SMOKE TESING EQUIPMENT		4,558					
SYSTEM REHABILITATION	273,155	45,876	259,284	116,643	220,000		778,147
SYSTEM IMPROVEMENTS							64,575
VEHICLE - VACTOR TRUCK							908,821
UPPER ANTELOPE CREEK-EAST TRUNK		1,817,550	547,456				
VOIP TELEPHONE REPLACEMENT				8,300			
WATER SAMPLING EQUIP		3,570		6,000			
WHITNEY RANCH RECORDER				29,744			
I80/HWY 65 PIPELINE RELOCATION - DISTRICT SHARE							110,062
<b>TOTALS</b>	<b>\$ 457,735</b>	<b>\$ 2,169,400</b>	<b>\$ 1,823,795</b>	<b>\$ 1,422,137</b>	<b>\$ 756,053</b>	<b>\$ 839,062</b>	<b>\$ 9,109,615</b>