

FISCAL YEAR  
2016-2017

SOUTH PLACER  
MUNICIPAL UTILITY DISTRICT

**ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDING JUNE 30, 2017**

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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

January 4, 2018

Honorable SPMUD Board Directors

**TO THE DIRECTORS OF THE BOARD:**

The South Placer Municipal Utility District (the District) staff submits to you the Annual Financial Report for the year ended June 30, 2017. The Annual Financial Report gives 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 who establish policy and oversee the General Manager, who manages the day-to-day operations.

**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.

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 Rodgersdale 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 22,175 customers (80% residential and 20% commercial); this equates to 32,825 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 273.5 miles of District owned and operated sewer mains (from 4" to 42" diameter). The District maintains an additional 126.9 miles of lower laterals within our easement or public right-of-way. Other assets include our Headquarters,

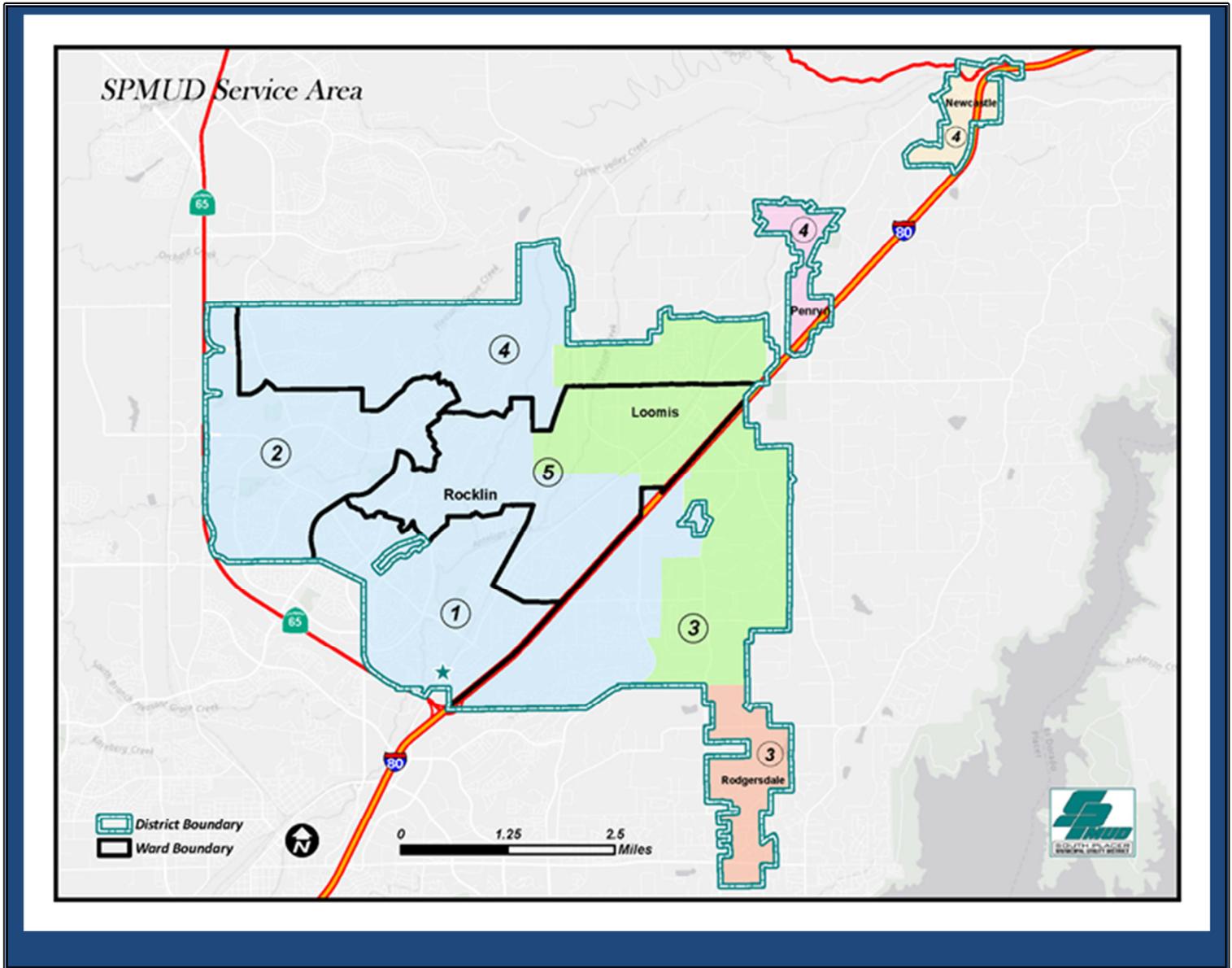
Maintenance and Corporation Yard facilities, 6365 manholes/flushing branches, 13 lift stations, 12 metering sites, and related buildings, facilities and equipment.

During FY2016/17 the monthly service charges remained the same, however on October 1, 2017 fees are set to increase. Local Participation Fees was increased to \$3000 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 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.

**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 371,600 people and approximately 148,700 wage and salary jobs. The per capita income in Placer

County is \$56,830 and the average salary per worker is \$59,866.



Employment across Northern California increased by 3.3 percent in 2015, whereas employment in the Sacramento Valley (consisting of Sacramento, Yolo, Placer, El Dorado, Yuba and Sutter counties) increased by 2.5 percent. In Placer County, 4,300 wage and salary jobs were created, representing a growth rate of 3.0 percent. The unemployment rate improved markedly, falling from 6.2 percent in 2014 to 5.0 percent in 2015.

During 2015, the largest employment gains were observed in education and healthcare (+1,100 jobs), construction (+1,000 jobs), wholesale and retail trade (+540 jobs), and financial activities (+470 jobs). Declines were not observed in any major sector. Over the 2010-2015 period, the Placer County population increased at a rate of 1.2 percent per year. This growth was largely due to net migration, as an average of 3,400 net migrants entered the county each year.

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 percent of net job creation in the county.



Annual population is expected in the 2016-2021 period to average 0.9 percent each year. An average of 1,900 new housing permits are anticipated to be issued each year, with complete build-out extending beyond the year 2021. Per capita income is also expected to increase on average 1.8 percent each year. Industrial production is also expected to increase on average by 2.5 percent per year. (source - [www.dot.ca.gov](http://www.dot.ca.gov))

## **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/1 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.

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, 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**

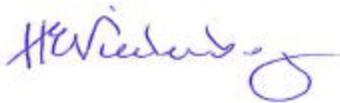
In 2016, the South Placer Municipal Utility District was awarded the District Transparency Certificate of Excellence by the Special District Leadership Foundation for outstanding efforts to promote transparency and good governance. In order to receive the award, SPMUD demonstrated the completion of eight 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

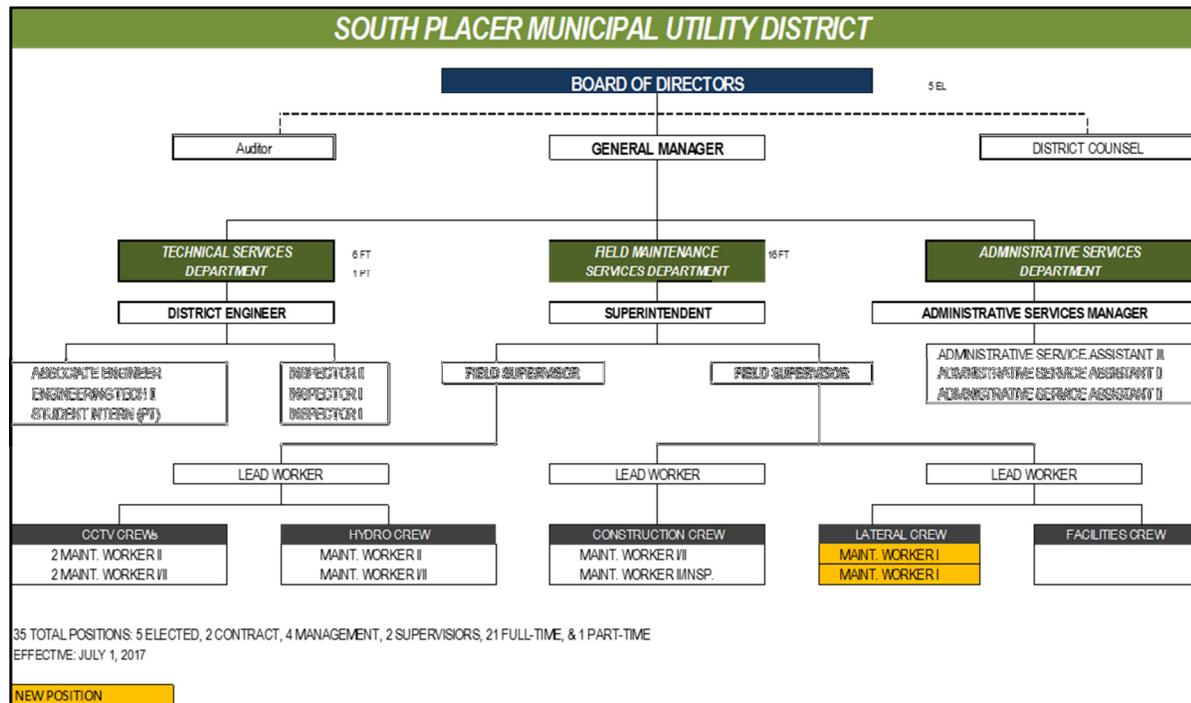
## **DISTRICT BOARD OF DIRECTORS**

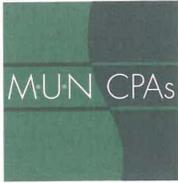
- Gerald Mitchell      WARD 1: Southwest central area of the City of Rocklin lying north of Interstate 80, including the Woodside, Five Star/Fairway Heights, south Stanford Ranch, and Sunset neighborhoods, as well as the west parts of old Rocklin.
- William Dickinson      WARD 2: Northwest part of the 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 17/18





## 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 the business-type activities of the South Placer Utility District as of and for the year ended June 30, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Placer Municipal Utility District as of June 30, 2017, 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.

## **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 OPEB schedule of funding progress 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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  
January 4, 2018

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
For the Fiscal Year Ending June 30, 2017 (FY 2016/17)

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, 2016 and ending June 30, 2017 (FY 2016/17) 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: ANNUAL DISTRICT GROWTH**

(compares major District metrics for the last two fiscal years)

Item	Unit	Fiscal Year 2015/16	Fiscal Year 2016/17	% Change Over Previous
Service Charges	Dollars	\$ 10,911,091	\$ 11,196,600	2.6%
Customer Accounts	Each	21,658	22,175	2.4%
Equal Dwelling Units	EDU	31,676	32,825	3.6%
Service Fee per EDU	Monthly	\$ 28.00	\$ 28.00	0.0%
Annual Flow to WWTP	Million Gallons	1,411	1,675	18.7%
Sewer Mains	Miles	267	274	2.5%
Lower Service Laterals	Miles	123	127	3.3%
Manhole/Flushing Brance	Each	6,083	6,365	4.6%
Lift Stations	Each	13	13	0.0%
Force Mains	Miles	7	7	0.0%

Table 1 compares major District growth metrics for the last two fiscal years. The district added 517 new customer accounts in FY 2016/17 representing 2.4% growth which occurred in the last few months of the fiscal year. The District experienced extreme weather and record rainfall within the District’s service area. Due to some of the older portions of the service area suffering from infiltration and inflow (I/I), flows to the regional sewage treatment plants saw an 18% increase over the previous year.

**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’s 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, 2017 is summarized as follows:

<u>Items</u>	<u>Reporting at Fiscal Year Ending June 30, 2017</u>
Total Pension Liability	\$16,269,009
Fiduciary Net Position	<u>\$12,184,045</u>
Net Pension Liability (Asset)	\$4,084,964

Deferred (Outflows) of Resources	(\$1,127,591)
Deferred Inflows of Resources	\$396,996
<b>Impact on Statement of Net Position</b>	<b><u>\$3,354,369</u></b>

Pension Expense, FY 2017 \$1,040,419

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

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

	06/30/16	06/30/17	Change (\$)
Total Pension Liability	15,074,379	16,269,009	1,194,630
Fiduciary Net Position	11,938,351	12,184,045	245,694
Net Pension Liability (Asset)	3,136,028	4,084,964	948,936
<i>Deferred (Outflows) Inflows Due to:</i>			
Assumption Changes	157,749	108,116	(49,633)
Plan Experience	(16,674)	(8,809)	7,865
Investment Experience	79,081	(562,707)	(641,788)
Changes in Proportions	(270,925)	(359,940)	(89,015)
Differences between actual contributions and proportionate share of contributions	112,518	283,736	171,218
Contributions Made Subsequent to the Measurement Date	(164,024)	(190,991)	(26,967)
Net Deferred (Outflows) Inflows	(102,275)	(730,595)	(628,320)
Impact on Statement of Net Position	3,033,753	3,354,369	320,616

An Actuarial Valuation report was completed in 2015 by the Districts Actuary, Bickmore. The explanation of the increases to the Actuarial Accrued Liability between July 1, 2013 and July 1, 2015 is as follows:

The Actuarial Accrued Liability (UAAL) increased by approximately \$1,455,000 between July 1, 2013 and July 1, 2015. Over this period, however, we anticipated changes, such as: additional costs accruing for active employees, present values increasing for the passage of time, some benefits paid to retirees, additional contributions, and earnings on trust assets. From that expected activity, we expected the UAAL to increase by \$5,000, from \$316,000 to \$321,000. Thus, the actual UAAL is \$1,450,000 higher than expected. This increase is primarily a result of the following:

- A \$169,000 increase in the AAL due to a change in discount rates used to develop the OPEB liability, from 7.61% to 7.28%;

- A \$1,063,000 increase in the AAL to begin recognizing the implicit subsidy of medical coverage for current and future retirees prior to becoming eligible for Medicare; in developing this liability, we added assumptions regarding expected claims cost by age and gender as well as expected future increases in medical premiums;
- A \$91,000 increase in the AAL due to revised assumptions for retirement and other termination (withdrawal) prior to retirement, based on the 2014 CalPERS retirement plan experience study covering District employees; we also updated our projection of future improvements in mortality, based on recent actuarial studies, which results in longer retiree life expectancies; and
- A \$127,000 increase in the UAAL from plan experience relative to prior assumptions. Plan experience includes factors such as changes in plan membership, retiree elections and changes in medical premiums and limits on benefits other than previously projected plus a small amount from the addition of new employees hired since the prior valuation;
- Plan experience also includes asset performance relative to the expected contributions and rate of return. Actual plan assets were about \$68,000 higher than we projected, primarily because the actual return on plan assets of 8.59% per year exceeded the 7.61% expected return per year.

## **REVENUES AND EXPENSES**

Revenues and Expenses for the past two fiscal years are summarized in Table 3 and Table 4, respectively.

Revenues: General Fund Revenues derived from customer service charges were up only slightly over last year. General fund revenue derived from permits, plan check fees and inspections increased by 7.1% due to increased development activity. Local home resales drove an increase in revenue from the Districts' portion of the local property taxes by 10%. Revenue derived from interest income on General Fund investments was higher due to investment activity. Total General Fund Revenue used to fund ongoing operations, maintenance and administrative functions of the District were increased over \$473,412 from the previous year.

Revenue received from Sewer Participation charges increased approximately \$3.2 Million over the previous year due to increased 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 2016/17 showed an increase of \$3.77 Million (26%) over the previous year, due primarily to increases in development and resulting increase in the collection of Sewer Participation Fees. The Loan Repayment for NSD – PRSC (Project Related Service Charges) is included in Sewer Service Charges and reported as \$196,175 for FY 16/17.

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**

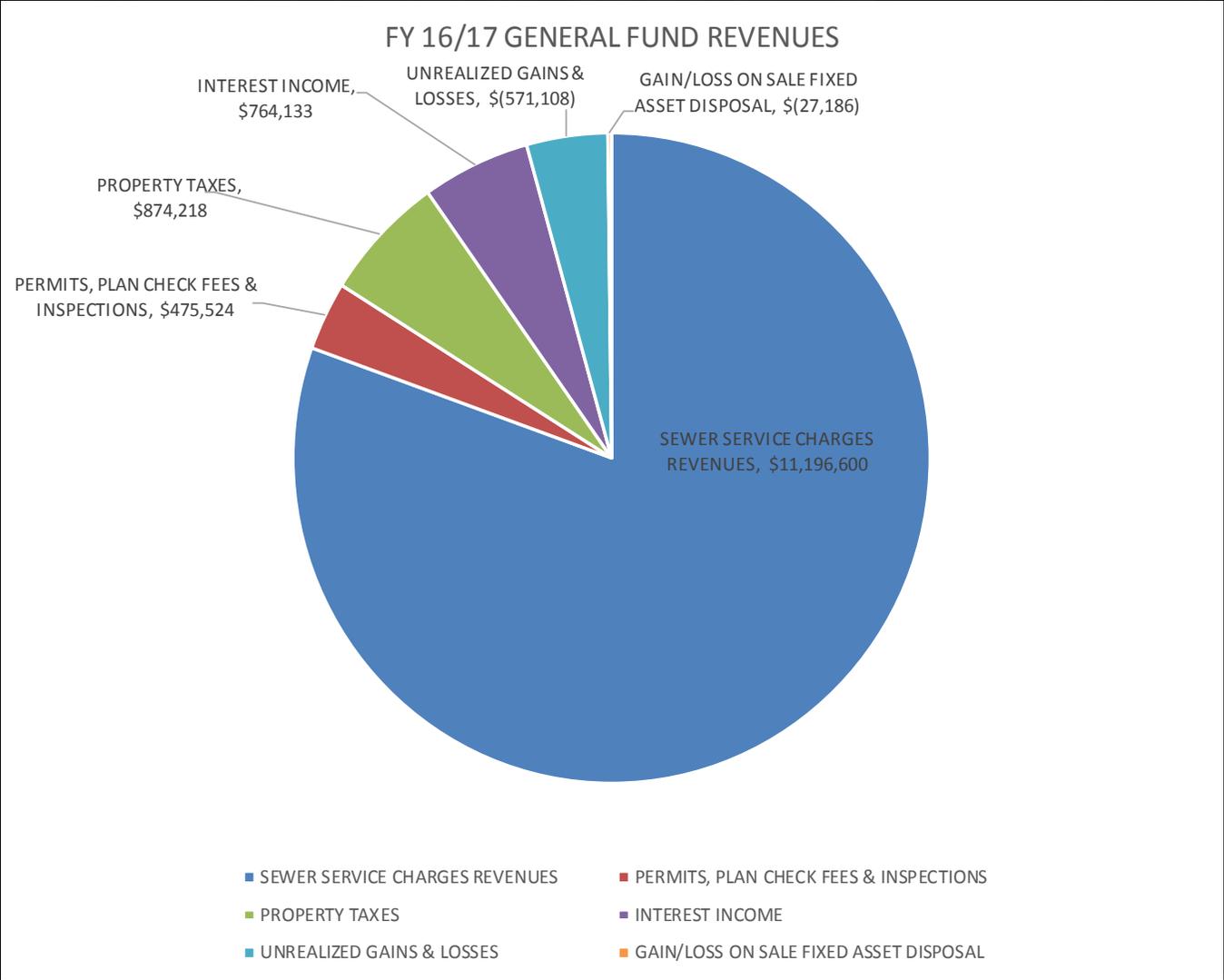
<b>OPERATING REVENUES</b>	<b>FISCAL YR 2015/16</b>	<b>FISCAL YR 2016/17</b>	<b>% Change over Previous</b>
SEWER SERVICE CHARGES REVENUES	\$ 10,911,091	\$ 11,196,600	2.6%
PERMITS, PLAN CHECK FEES & INSPECTIONS	\$ 443,885	\$ 475,524	7.1%
PROPERTY TAXES	\$ 790,587	\$ 874,218	10.6%
INTEREST INCOME	\$ 632,484	\$ 764,133	20.8%
UNREALIZED GAINS & LOSSES	\$ 193,120	\$ (571,108)	-395.7%
GAIN/LOSS ON SALE FIXED ASSET DISPOSAL	\$ -	\$ (27,186)	NA
SEWER PARTICIPATION FEES	\$ 1,443,773	\$ 4,700,227	225.6%
INTEREST EXPENSE	\$ (122,564)	\$ (120,912)	-1.3%
<b>TOTAL SPMUD REVENUE</b>	<b>\$ 14,292,376</b>	<b>\$ 17,291,496</b>	

**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 the net interest earned for each investment type.

<b>Investment</b>	<b>FY 16/17 Interest Earned</b>	<b>Balance 06/30/17</b>
Wells Fargo Fixed Income Securities & Money Market Mutual Funds	\$312,904	\$22,011,525
Local Agency Investment Fund (LAIF)	\$37,333	\$5,042,235
Caltrust Investments	\$207,482	\$19,181,657
Placer County Treasury Investments	\$68,054	\$5,094,193
<b>TOTAL</b>	<b>\$625,775</b>	<b>\$51,329,612</b>

The following chart represents the FY 16/17 revenues for each funding source





Expenses: General Fund Expenses increased from FY 2015/16 to 2016/17 by \$899,900 (12%) from \$11.2M to \$12.6 M. This increase resulted from the increased costs for the UAL (Unfunded Accrued Liability) from CalPERS as well as increased charges from the South Placer Wastewater Authority (SPWA). These charges from SPWA fund the Regional Waste Water Treatment Plant (RWWTP) Operations and Maintenance (O&M) and Rehabilitation and Replacement (R&R) Programs. To offset these increased expenses, District staff reduced locally controlled expenses by over 9.8%.

**TABLE 4 – EXPENSES**

	FISCAL YR 2015/16	FISCAL YR 2016/17	% Change over Previous
Salaries/Wages	\$ 1,945,270	\$ 2,021,529	3.9%
FICA - Social Security	\$ 139,092	\$ 134,846	-3.1%
CalPERS Retirement	\$ 264,783	\$ 459,750	73.6%
CalPERS UAL	\$ -	\$ 580,669	
457 Retirement	\$ 42,608	\$ 46,575	9.3%
Insurance Benefits	\$ 505,351	\$ 496,890	-1.7%
Pers OPEB	\$ 203,965	\$ 216,683	6.2%
<b>Sub Total Salaries &amp; Benefits</b>	<b>\$ 3,101,069</b>	<b>\$ 3,956,942</b>	<b>27.6%</b>
Property & Liability Insurance	\$ 92,070	\$ 98,407	6.9%
Professional Services	\$ 33,848	\$ 59,643	76.2%
Vehicle Repair and Maintenance	\$ 55,333	\$ 82,277	48.7%
Professional Development	\$ 31,479	\$ 33,384	6.1%
Legal Services	\$ 74,276	\$ 111,568	50.2%
Utility Billing/Banking Expense	\$ 150,350	\$ 163,984	9.1%
Other Operating Expenses	\$ 66,113	\$ 19,892	-69.9%
General Operating Supplies & Maintenance	\$ 139,038	\$ 158,048	13.7%
Gas & Oil Expenses	\$ 25,617	\$ 29,109	13.6%
Safety Gear/Uniforms	\$ 11,266	\$ 16,128	43.2%
Utilities	\$ 105,851	\$ 134,642	27.2%
Repair/Maintenance Agreements	\$ 56,212	\$ 74,792	33.1%
Lift Station & Flow Recorder Program	\$ 29,600	\$ 46,533	57.2%
Regulatory Compliance/Government Fees	\$ 13,857	\$ 39,289	183.5%
Building & Grounds Maintenance	\$ 11,266	\$ 39,810	253.4%
Asphalt Paving	\$ -	\$ 6,795	100.0%
<b>Sub Total Local SPMUD General Fund Expenses</b>	<b>\$ 896,176</b>	<b>\$ 1,114,301</b>	<b>24.3%</b>
RWWTP Maintenance & Operations	\$ 4,513,821	\$ 4,711,758	4.4%
RWWTP Rehab & Replacement	\$ 1,312,368	\$ 1,505,199	14.7%
<b>Sub Total SPWA O&amp;M+ R&amp;R Expenses</b>	<b>\$ 5,826,189</b>	<b>\$ 6,216,957</b>	<b>6.7%</b>
<b>Total Operations Expense before Depreciation</b>	<b>\$ 9,823,434</b>	<b>\$ 11,288,200</b>	<b>14.9%</b>
Depreciation expense	\$ 1,381,819	\$ 1,343,872	-2.7%
<b>Total General Fund Expenses</b>	<b>\$ 11,205,253</b>	<b>\$ 12,632,072</b>	<b>12.7%</b>

General Fund Revenues of \$12.20M exceeded General Fund Expenses (not including Capital Outlays) of \$11.32M).

## CAPITAL ASSETS

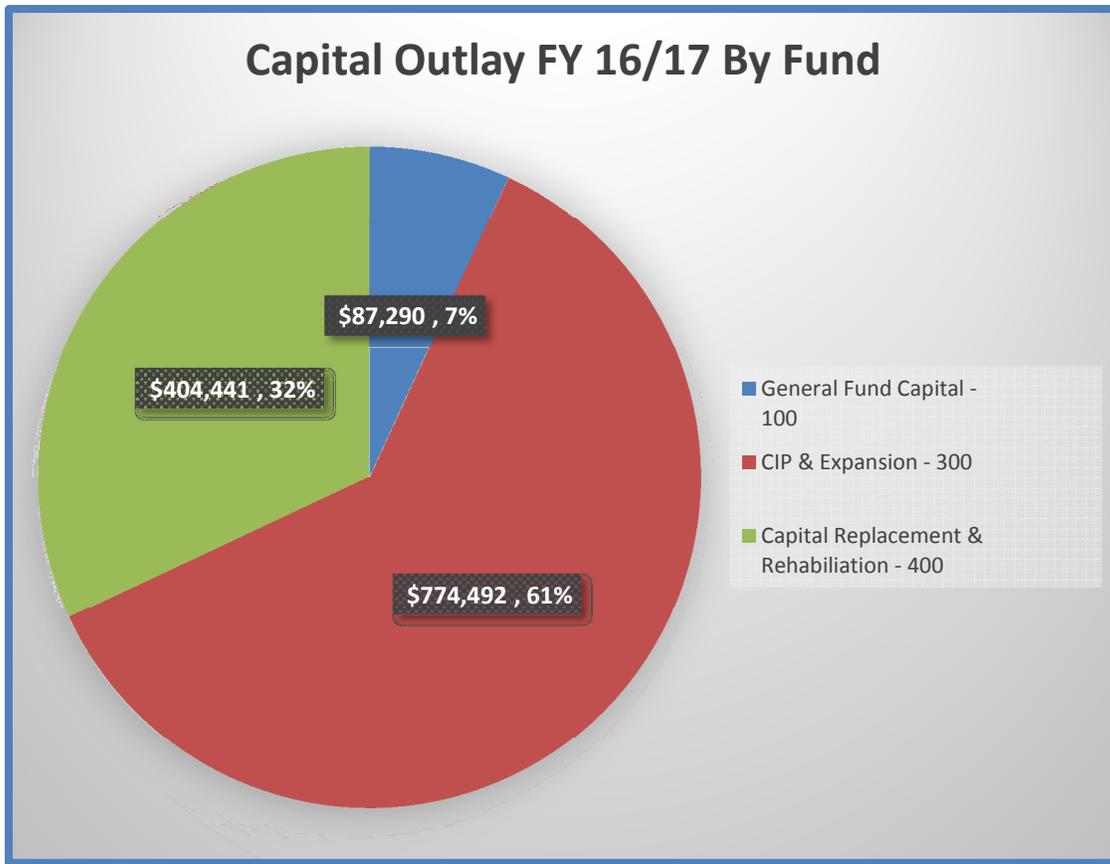
Capital Outlays are categorized to their respective fund centers. For example, those projects designated as Capital Replacement & Rehabilitation projects would be funded by accumulated depreciation; those projects designated as Capital Improvement projects (CIP) and Expansion projects are funded through 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 \$3.61M in Capital Outlay during FY 2016/17 but only expended \$1.26M consisting of \$87,290 in General Fund - 100 projects, \$774,492 in CIP & Expansion fund – 300 projects, and \$404,441 in Capital Rehabilitation & Replacement fund – 400 projects.

The District also received \$2.8M in sewer asset contributions from new development. This included 7.07 miles of gravity sewer pipe, and 194 manholes/flushing branches. A list of the District’s Capital Projects is included in Table 5.

**TABLE 5: CAPITAL OUTLAY ACTIVITY**

	FY 16-17 Budget	General Fund Capital - 100	CIP & Expansion - 300	Capital Replacement & Rehabilitation - 400
<b>CAPITAL IMPROVEMENTS FY 16-17</b>				
HQ Security	\$ 5,000	\$ 5,647		
Easement Weed Spraying System	\$ 6,500	\$ 11,727		
Lateral Camera (Insp)	\$ 6,500	\$ 6,424		
Computers/Office Furniture	\$ 14,000	\$ 8,989		
Easement Roadway Replacements	\$ 17,500	\$ 12,326		
Energy Upgrades	\$ 25,000			
Archiving/Disaster Development Plan	\$ 30,000			
Vehicle Purchase - Inspector Vehicle	\$ 30,000	\$ 26,561		
Asphalt Paving - Irish Lane	\$ 30,000	\$ 6,795		
Software/Data Acquisition	\$ 41,000	\$ 8,821		
System Improvements	\$ 55,000			
District Participation in Regional Projects	\$ 185,000			
Foothill Trunk Project - Design	\$ 61,000		\$ 85,535	
Lower Clover Valley Trunk - Design	\$ 61,000		\$ 45,330	
Lower Loomis Diversion Sewer - Design & ROW	\$ 410,000		\$ 429,507	
Foothill Trunk Project - Construction	\$ 550,000			
Lower Loomis Diversion Sewer - Construction	\$ 980,000		\$ 214,120	
Board Room Audio/Visual Upgrades	\$ 5,000			
SCADA Software Upgrades/Programming	\$ 7,000			
Tyler Software Upgrades	\$ 10,000			
HQ Security/Front Office Reception	\$ 10,000			\$ 7,047
Office Furniture	\$ 10,000			\$ 8,989
Easement Road Upgrades	\$ 17,500			\$ 5,038
Irish Lane Lift Station Upgrades (Newcastle)	\$ 18,000			\$ 9,270
Welding Area Upgrades	\$ 18,500			\$ 13,866
Corporation Yard Master Plan	\$ 20,000			\$ 21,528
Vehicle Purchase - Field Supervisor vehicle	\$ 29,000			\$ 26,488
HRF Creek Crossings - Design	\$ 40,000			\$ 38,954
Newcastle Master Plan	\$ 50,000			\$ 49,986
Emergency Response & Bypass Equipment	\$ 84,000			
Lateral Jet Rodder	\$ 85,000			\$ 75,715
Vehicle Purchase - TV Van	\$ 58,000			\$ 57,021
Vehicle Purchase - Dump Truck	\$ 110,000			\$ 90,539
System Rehabilitation	\$ 535,000			
<b>Total Capital Improvements</b>	<b>\$ 3,614,500</b>	<b>\$ 87,290</b>	<b>\$ 774,492</b>	<b>\$ 404,441</b>



For additional information on Capital Assets, see Note 1 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 April 30, 2016, the District maintained a balance of \$43,730,927 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 \$2,075,623. Without any changes, the District currently has approximately 21 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. District staff is estimating that this will increase the debt payment assigned to the District from \$2.075M to \$3.204M over the 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 (DCR) of 110% over the lives of the Bonds.

**ECONOMIC FACTORS AND FISCAL YEAR 2017/18 BUDGET OVERVIEW**

A comparison of previous year’s results and the adopted budget for Fiscal Year 2017/18 is included in Table 6.

Revenue: The Economic forecast for growth within the District’s service area boundaries looks favorable. There is now a backlog of development proposals under review which should allow the District to add an additional 500 EDUs during the next fiscal year. The Federal Government has kept its benchmark interest rate at a range between zero and one-quarter percent and this will continue to depress interest income received on investments. The District will be reviewing its investment policy to enhance revenue potential through diversification of the investment portfolio.

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 monthly service rate is scheduled to increase from \$28/EDU to \$31/EDU in September 2017, with other scheduled increases to occur on July 1 of 2018 and 2019 of \$34 and \$36/EDU/month respectively. Revenues are expected to increase accordingly.

**TABLE 6: FY 2017/18 BUDGET REVIEW**

**SPMUD REVENUE**

	FISCAL YR 2015/16	FISCAL YR 2016/17	BUDGETED FISCAL YR 2017/18
<b>TOTAL GENERAL FUND</b>	<b>\$ 12,207,501</b>	<b>\$ 12,531,239</b>	<b>\$ 13,386,164</b>
<b>TOTAL CIP FUND</b>	<b>\$ 1,918,705</b>	<b>\$ 4,739,176</b>	<b>\$ 2,475,000</b>
<b>TOTAL CAPITAL REPLACEMENT FUND</b>	<b>\$ 47,023</b>	<b>\$ 21,079</b>	<b>\$ 977,500.00</b>
<b>TOTAL SPMUD REVENUE</b>	<b>\$ 14,173,229</b>	<b>\$ 17,291,494</b>	<b>\$ 16,838,664</b>

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. The previous year's 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.

**TABLE 7: FY 2017/18 BUDGET REVIEW  
GENERAL FUND EXPENSES**

	FISCAL YR 2015/16	FISCAL YR 2016/17	BUDGETED FISCAL YR 2017/18
Salaries/Wages	\$ 1,945,270	\$ 2,021,529	\$ 2,271,000
FICA - Social Security	\$ 139,092	\$ 134,846	\$ 175,000
CalPERS Retirement	\$ 264,783	\$ 459,750	\$ 340,000
457 Retirement	\$ 42,608	\$ 46,575	\$ 80,600
CalPERS UAL	\$ -	\$ 580,669	\$ 300,000
Insurance Benefits	\$ 505,351	\$ 496,890	\$ 605,000
Pers OPEB	\$ 203,965	\$ 216,683	\$ 275,000
<b>Sub Total Salaries &amp; Benefits</b>	<b>\$ 3,101,069</b>	<b>\$ 3,956,942</b>	<b>\$ 4,046,600</b>
Property & Liability Insurance	\$ 92,070	\$ 98,407	\$ 120,000
Professional Services	\$ 33,848	\$ 59,643	\$ 107,000
Vehicle Repair and Maintenance	\$ 55,333	\$ 82,277	\$ 85,000
Professional Development	\$ 31,479	\$ 33,384	\$ 48,000
Legal Services	\$ 74,276	\$ 111,568	\$ 100,000
Utility Billing/Banking Expense	\$ 150,350	\$ 163,984	\$ 180,000
Other Operating Expenses	\$ 66,113	\$ 19,892	\$ 57,800
General Operating Supplies & Maintenance	\$ 139,038	\$ 158,048	\$ 140,000
Gas & Oil Expenses	\$ 25,617	\$ 29,109	\$ 35,000
Safety Gear/Uniforms	\$ 11,266	\$ 16,128	\$ 26,000
Utilities	\$ 105,851	\$ 134,642	\$ 135,000
Repair/Maintenance Agreements	\$ 56,212	\$ 74,792	\$ 101,000
Lift Station & Flow Recorder Programs	\$ 29,600	\$ 46,533	\$ 35,000
Regulatory Compliance/Government Fees	\$ 13,857	\$ 39,289	\$ 57,000
Building & Grounds Maintenance	\$ 11,266	\$ 39,810	\$ 60,000
Asphalt Paving	\$ -	\$ 6,795	\$ 25,000
<b>Sub Total Local SPMUD General Fund Expenses</b>	<b>\$ 896,176</b>	<b>\$ 1,114,301</b>	<b>\$ 1,311,800</b>
RWWTP Maintenance & Operations	\$ 4,513,821	\$ 4,711,758	\$ 4,781,000
RWWTP Rehab & Replacement	\$ 1,312,368	\$ 1,505,199	\$ 1,606,000
<b>Sub Total SPWA O&amp;M + R&amp;R Expenses</b>	<b>\$ 5,826,189</b>	<b>\$ 6,216,957</b>	<b>\$ 6,387,000</b>
<b>Total Operations Expense before Depreciation</b>	<b>\$ 9,823,434</b>	<b>\$ 11,288,200</b>	<b>\$ 11,745,400</b>
Depreciation expense	\$ 1,381,819	\$ 1,343,872	\$ 1,350,600
<b>Total General Fund Expenses</b>	<b>\$ 11,205,253</b>	<b>\$ 12,632,072</b>	<b>\$ 13,096,000</b>

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

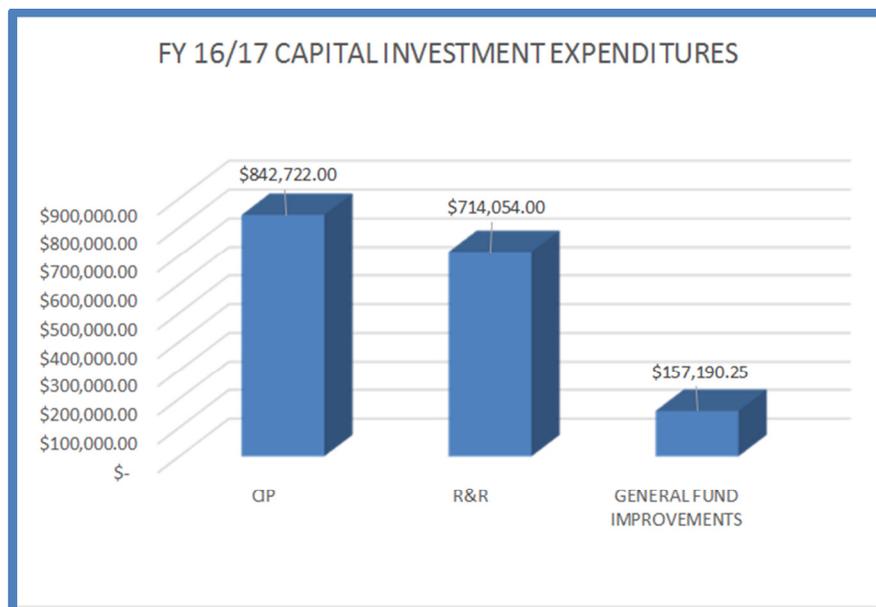
fully funding the District’s obligations to CalPERS as well as funding the District’s annual required contribution (ARC) for Other Post-Employment Benefits (OPEB).

SPMUD has 39 approved personnel positions that include 5 elected, 2 contracted, 4 management, 2 supervisors, and 26 staff positions; there are currently 27 FTE. The MOU’s for employees and management were negotiated in FY16/17, covering FY17/18 & 18/19 & 19/20, Cost of Living increases are tied to the Consumer Cost Index.

Capital: 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. A summary of the FY 17/18 Budget Review Capital Projects is shown in Table 8.

**TABLE 8: FY17/18 BUDGET REVIEW  
CAPITAL INVESTMENT**

CAPITAL INVESTMENT	FY 2014/15	FY 2015/16	FY 2016/17	BUDGETED FY 2017/18
CIP	\$ 619,872.00	\$ 259,533.00	\$ 842,722.00	\$ 8,500,000.00
R&R	\$ 738,490.00	\$ 159,558.00	\$ 714,054.00	\$ 2,623,500.00
<b>SUBTOTAL CAPITAL OUTLAY</b>	<b>\$ 1,358,362.00</b>	<b>\$ 419,091.00</b>	<b>\$ 1,556,776.00</b>	<b>\$ 11,123,500.00</b>
GENERAL FUND IMPROVEMENTS	\$ 106,503.00	\$ 75,910.00	\$ 157,190.25	\$ 873,500.00
<b>TOTAL ANNUAL INVESTMENT</b>	<b>\$ 1,464,865.00</b>	<b>\$ 495,001.00</b>	<b>\$ 1,713,966.25</b>	<b>\$ 11,997,000.00</b>



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Operating Fund</u>	<u>CIP Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 6,832,626	\$ 3,987,451	\$ 3,908,406	\$ 14,728,483
Investments (Note 2)	9,126,868	16,149,507	15,916,809	41,193,184
Accounts receivable	3,939,765	-	-	3,939,765
Prepaid expenses	<u>17,536</u>	<u>-</u>	<u>-</u>	<u>17,536</u>
Total Current Assets	<u>19,916,795</u>	<u>20,136,958</u>	<u>19,825,215</u>	<u>59,878,968</u>
<b>NON-CURRENT ASSETS</b>				
Capital assets (net of accumulation depreciation) (Note 3)	66,239,625	-	-	66,239,625
Advance to other funds (Note 4)	<u>-</u>	<u>5,010,426</u>	<u>-</u>	<u>5,010,426</u>
Total Non-Current Assets	<u>66,239,625</u>	<u>5,010,426</u>	<u>-</u>	<u>71,250,051</u>
<b>TOTAL ASSETS</b>	<u>86,156,420</u>	<u>25,147,384</u>	<u>19,825,215</u>	<u>131,129,019</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Changes in the net pension liability (Note 5)	<u>1,127,591</u>	<u>-</u>	<u>-</u>	<u>1,127,591</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 87,284,011</u>	<u>\$ 25,147,384</u>	<u>\$ 19,825,215</u>	<u>\$ 132,256,610</u>
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,438,708	\$ -	\$ -	\$ 1,438,708
Other accrued liabilities	244,190	-	-	244,190
Compensated absences	<u>202,705</u>	<u>-</u>	<u>-</u>	<u>202,705</u>
Total Current Liabilities	<u>1,885,603</u>	<u>-</u>	<u>-</u>	<u>1,885,603</u>
<b>LONG TERM LIABILITIES</b>				
Net pension liability (Note 5)	4,084,964	-	-	4,084,964
Advance from other funds (Note 4)	<u>5,010,426</u>	<u>-</u>	<u>-</u>	<u>5,010,426</u>
Total Long-Term Liabilities	<u>9,095,390</u>	<u>-</u>	<u>-</u>	<u>9,095,390</u>
<b>TOTAL LIABILITIES</b>	<u>10,980,993</u>	<u>-</u>	<u>-</u>	<u>10,980,993</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Changes in the net pension liability (Note 5)	<u>396,996</u>	<u>-</u>	<u>-</u>	<u>396,996</u>
<b>NET POSITION</b>				
Net investment in capital assets	61,229,199	-	-	61,229,199
Unrestricted	14,676,823	20,136,958	19,825,215	54,638,996
Restricted	<u>-</u>	<u>5,010,426</u>	<u>-</u>	<u>5,010,426</u>
<b>TOTAL NET POSITION</b>	<u>75,906,022</u>	<u>25,147,384</u>	<u>19,825,215</u>	<u>120,878,621</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 87,284,011</u>	<u>\$ 25,147,384</u>	<u>\$ 19,825,215</u>	<u>\$ 132,256,610</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 YEAR ENDED  
JUNE 30, 2017**

	<u>Operating Fund</u>	<u>CIP Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Sewer charges	\$ 11,196,600	\$ -	\$ -	\$ 11,196,600
Connection charges	-	4,700,227	-	4,700,227
Permits, fees, and inspections	<u>475,524</u>	<u>-</u>	<u>-</u>	<u>475,524</u>
Total Operating Revenues	<u>11,672,124</u>	<u>4,700,227</u>	<u>-</u>	<u>16,372,351</u>
<b>OPERATING EXPENSES</b>				
Collection and treatment	6,738,350	-	18,361	6,756,711
Administrative and general	2,226,083	-	-	2,226,083
Technical services	2,323,767	-	120,173	2,443,940
Depreciation	<u>1,343,872</u>	<u>-</u>	<u>-</u>	<u>1,343,872</u>
Total Operating Expenses	<u>12,632,072</u>	<u>-</u>	<u>138,534</u>	<u>12,770,606</u>
Operating income (loss)	<u>(959,948)</u>	<u>4,700,227</u>	<u>(138,534)</u>	<u>3,601,745</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Tax revenue	874,218	-	-	874,218
Gain (loss) on sale of asset	(27,186)	-	-	(27,186)
Interest income	12,083	159,861	21,079	193,023
Interest expense	<u>(120,912)</u>	<u>-</u>	<u>-</u>	<u>(120,912)</u>
Total Nonoperating revenues	<u>738,203</u>	<u>159,861</u>	<u>21,079</u>	<u>919,143</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Capital Contributions	2,819,904	-	-	2,819,904
Transfers in	2,447,408	-	1,680,856	4,128,264
Transfers out	<u>(1,381,819)</u>	<u>(2,746,445)</u>	<u>-</u>	<u>(4,128,264)</u>
Total Transfers and Capital Contributions	<u>3,885,493</u>	<u>(2,746,445)</u>	<u>1,680,856</u>	<u>2,819,904</u>
<b>INCREASE IN NET POSITION</b>	<u>3,663,748</u>	<u>2,113,643</u>	<u>1,563,401</u>	<u>7,340,792</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>72,242,274</u>	<u>23,033,741</u>	<u>18,261,814</u>	<u>113,537,829</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 75,906,022</u>	<u>\$ 25,147,384</u>	<u>\$ 19,825,215</u>	<u>\$120,878,621</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

	<u>Operating Fund</u>	<u>CIP Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers	\$ 11,357,841	\$ 4,620,113	\$ -	\$ 15,977,954
Payments to suppliers	(6,188,929)	(515,579)	(138,534)	(6,843,042)
Payments to employees	<u>(3,291,767)</u>	<u>-</u>	<u>-</u>	<u>(3,291,767)</u>
Net Cash Provided by (Used For) Operating Activities	<u>1,877,145</u>	<u>4,104,534</u>	<u>(138,534)</u>	<u>5,843,145</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Tax Revenue	874,218	-	-	874,218
Net Transfers to Operating Fund	1,065,589	-	-	1,065,589
Net Transfers to/from Capital Funds	<u>-</u>	<u>(2,746,445)</u>	<u>1,680,856</u>	<u>(1,065,589)</u>
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>1,939,807</u>	<u>(2,746,445)</u>	<u>1,680,856</u>	<u>874,218</u>
<b><u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u></b>				
Acquisition and construction of capital assets	(4,220,364)	-	-	(4,220,364)
Change in advances from other funds	-	77,066	-	77,066
Contributed Capital	<u>2,819,904</u>	<u>-</u>	<u>-</u>	<u>2,819,904</u>
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>(1,400,460)</u>	<u>77,066</u>	<u>-</u>	<u>(1,323,394)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest income	12,084	159,861	21,079	193,024
Interest expense	(120,912)	-	-	(120,912)
Proceeds from sale of assets	25,009	-	-	25,009
Purchase of investments	<u>(872,955)</u>	<u>(1,553,559)</u>	<u>(1,522,764)</u>	<u>(3,949,278)</u>
Net Cash Used For Investing Activities	<u>(956,774)</u>	<u>(1,393,698)</u>	<u>(1,501,685)</u>	<u>(3,852,157)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>1,459,718</u>	<u>41,457</u>	<u>40,637</u>	<u>1,541,812</u>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2016</b>	<u>5,372,908</u>	<u>3,945,994</u>	<u>3,867,769</u>	<u>13,186,671</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2017</b>	<u>\$ 6,832,626</u>	<u>\$ 3,987,451</u>	<u>\$ 3,908,406</u>	<u>\$ 14,728,483</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED  
JUNE 30, 2017**

	<b>Operating Fund</b>	<b>CIP Fund</b>	<b>Capital Replacement Fund</b>	<b>Total</b>
<b>OPERATING INCOME (LOSS)</b>	\$ (959,948)	\$ 4,700,227	\$ (138,534)	\$ 3,601,745
Adjustments to reconcile operating income (loss) to net cash Provided by (Used for) operating activities:				
Depreciation expense	1,343,872	-	-	1,343,872
Increase in net pension liability	1,681,419	-	-	1,681,419
Changes in assets and liabilities:				
Decrease in deferred inflows	(183,177)	-	-	(183,177)
Increase in deferred outflows	(1,127,591)	-	-	(1,127,591)
(Increase) decrease in accounts receivable	(237,217)	9,916	-	(227,301)
Decrease in prepaid expenses	36,347	-	-	36,347
Increase in other payables	56,869	-	-	56,869
Increase (decrease) in accounts payable	1,290,877	(605,609)	-	685,268
Increase in compensated absences	52,760	-	-	52,760
Decrease in advances to other funds	(77,066)	-	-	(77,066)
Total adjustments	<u>2,837,093</u>	<u>(595,693)</u>	<u>-</u>	<u>2,241,400</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 1,877,145</u>	<u>\$ 4,104,534</u>	<u>\$ (138,534)</u>	<u>\$ 5,843,145</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, 2017**

**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 funds to run their operations:

*Operation and Maintenance Reserve* - The purpose of the Operation and Maintenance (O&M) Reserve 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 shall be from Sewer Service Charges.

*Capital Improvement Fund Reserve* - The purpose of the Capital Improvement Reserve 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 Reserve shall be the Sewer Participation Fee.

*Capital Replacement Fund (Depreciation Reserve)* - 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 shall be in the form of an annual operating expense (transfer) to the Capital Replacement (Depreciation Reserve) Fund.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

The District shall incur an annual expense equivalent to the annual depreciation and accumulate this balance in a Capital Replacement Fund (Depreciation Reserve) to fund replacements of assets that have reached their useful life or are fully depreciated.

**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 bank accounts, cash with Placer County, and deposits with the State of California Local Agency Investment Fund (LAIF).

**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.

**Prepaid Expenses**

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

**Capital Assets**

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

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

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

**Capital Contributions**

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

**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, 2017, restricted net position 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."

**Compensated Absences**

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

**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.

**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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

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.

**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.

**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.

**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 January 4, 2018, which is the date the financial statements were issued.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

**Future Government Accounting Standards Board Statements**

These statements are not effective until July 1, 2017 or later and may be applicable to the District. However, the District has not determined the effects, if any, on the financial statements.

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. 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, 2018.

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). Application of this statement is effective for the District's fiscal year ending June 30, 2018. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

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 mode 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.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**NOTE 2: CASH AND INVESTMENTS**

The components of the District's cash and cash equivalents at June 30, 2017 are as follows:

	<b>June 30, 2017</b>
<u>Cash and cash equivalents:</u>	
Cash on hand	\$ 4,592,055
Placer County Treasury	5,094,193
Local Agency Investment Fund (LAIF)	5,042,235
Total cash and cash equivalents	14,728,483
<u>Investments:</u>	
Fixed income securities	21,841,941
Money market mutual fund	169,585
CalTrust investment fund	19,181,658
Total investments	41,193,184
<b>Total cash and investments</b>	<b>\$ 55,921,667</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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment pools authorized under CA statute governed by Government Code:			\$40 Million
LAIF 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	180 Days	75%	No Limit
Federal Agencies	5 years	25%	No Limit
Commercial Paper	180 Days	15%	No Limit
Negotiable Certificates of Deposits	180 Days	20%	No Limit
Re-Purchase Agreements	180 Days	20%	No Limit
US 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, 2017**

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

**Disclosures 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, 2017:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Fixed income securities	\$ 749,547	\$ 21,092,394	\$ 21,841,941
Money market mutual funds	169,585	-	169,585
Local Agency Investment Fund	5,042,235	-	5,042,235
CalTRUST Investment Fund	19,181,658	-	19,181,658
Placer County Treasury	<u>5,094,193</u>	<u>-</u>	<u>5,094,193</u>
	<u>\$ 30,237,218</u>	<u>\$ 21,092,394</u>	<u>\$ 51,329,612</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  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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	\$ 5,042,235			Not rated
Placer County Treasury	5,094,193			Not rated
CalTrust investment fund	19,181,658			Not rated
Fixed income securities	21,841,941	AAAm		
Money market mutual funds	<u>169,585</u>	AAAm		
	<u>\$ 51,329,612</u>			

**Concentrations of Credit Risk**

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

**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 and bank certificate of deposits. 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  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ -	\$ 21,841,941	\$ -	\$ 21,841,941
Money market mutual funds	<u>169,585</u>	<u>-</u>	<u>-</u>	<u>169,585</u>
Total assets at fair value	<u>\$ 169,585</u>	<u>\$ 21,841,941</u>	<u>\$ -</u>	<u>\$ 22,011,526</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 1,139,235	\$ 12,326	\$ -	\$ 1,151,561
Construction in Progress	<u>259,534</u>	<u>983,058</u>	<u>-</u>	<u>1,242,592</u>
<b>Total capital assets not depreciated</b>	<u>1,398,769</u>	<u>995,384</u>	<u>-</u>	<u>2,394,153</u>
<b>Capital assets being depreciated</b>				
Buildings	3,210,340	39,270	-	3,249,610
Sewer System	75,212,869	2,819,904	-	78,032,773
Equipment	1,342,242	102,467	(697)	1,444,012
Office Furniture	207,166	16,037	-	223,203
Vehicles	<u>1,571,608</u>	<u>247,302</u>	<u>(161,982)</u>	<u>1,656,928</u>
<b>Total capital assets being depreciated</b>	<u>81,544,225</u>	<u>3,224,980</u>	<u>(162,679)</u>	<u>84,606,526</u>
<b>Less: accumulated depreciation</b>				
Buildings	(1,627,729)	(135,076)	-	(1,762,805)
Sewer System	(15,810,887)	(1,026,429)	-	(16,837,316)
Equipment	(686,734)	(110,952)	697	(796,989)
Office Furniture	(193,149)	(7,115)	-	(200,264)
Vehicles	<u>(1,209,167)</u>	<u>(64,300)</u>	<u>109,787</u>	<u>(1,163,680)</u>
<b>Total accumulated depreciation</b>	<u>(19,527,666)</u>	<u>(1,343,872)</u>	<u>110,484</u>	<u>(20,761,054)</u>
<b>Capital Assets, net</b>	<u>\$ 63,415,328</u>	<u>\$ 2,876,492</u>	<u>\$ (52,195)</u>	<u>\$ 66,239,625</u>

Depreciation expense for the year ended June 30, 2017 totaled \$1,343,872.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**NOTE 4: INTERFUND TRANSACTIONS**

**Advances to/from Other Funds**

The composition of interfund balances as of June 30, 2017 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
CIP Fund	Operating Fund	Loan for Newcastle residents	\$ 5,010,426

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, 2017 was 5,010,426, 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, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Operating Fund	Capital Replacement Fund	Reserve for Capital Replacement	\$ 1,381,819
CIP Fund	Operating Fund	Reimbursement for expenses	2,447,408
CIP Fund	Capital Replacement Fund	Reimbursement for expenses	<u>299,037</u>
		Total Interfund Transfers	<u>\$ 4,128,264</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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 contributes the employee required contribution. For those employees hired on or after April 20th, 2012 the District has implemented a 2% @ 55 Tier II plan which reduces the amount of employee contribution paid by the District to 7%. The district is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. For new employees hired after January 1, 2013 the District benefit formula changed to a 2% @ 62 Tier III where the employee contributes the full employee contribution of 6.25% of all earnings in excess of \$133.33 per month. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The 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	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	24.407%	8.377%	6.572%

\* 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  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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 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, 2017 were \$190,991.

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

As of June 30, 2017, the District reported a net pension liability of \$4,084,964 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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.1143%
Proportion - June 30, 2016	0.1176%
Change - Increase (Decrease)	0.0033%

For the year ended June 30, 2017, the District recognized pension expense of \$1,040,419. At June 30, 2017, 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	\$ 190,991	\$ -
Net differences between projected and actual earnings on plan investments	562,707	-
Changes in assumptions	-	108,116
Differences between expected and actual experience	11,427	2,618
Adjustment due to differences in proportions	362,466	2,526
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	-	283,736
Total	\$ 1,127,591	\$ 396,996

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)**

\$190,991 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,		
2018	\$	78,130
2019	\$	68,247
2020	\$	247,478
2021	\$	145,749

**C. Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.65% 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, 2015 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** – There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes in assumptions presented in the deferred outflows/inflows table above represents the portion of the changes of assumption related to prior measurement periods.

**E. Discount Rate** – The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the district plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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. The target allocation shown was adopted by the Board effective July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Assets	12.0%	4.50%	5.13%
Liquidity	1.0%	(.55%)	(1.05%)

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% 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	6.65%
Net Pension Liability	\$6,275,280
Current Discount Rate	7.65%
Net Pension Liability	\$4,084,964
1% Increase	8.65%
Net Pension Liability	\$2,274,777

**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  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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 \$37,275.

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

**Description of 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, 2017, there were 15 retired employees who qualified for the healthcare plan. The District also provides a life insurance benefit for each former employee with ten or more years of service who retires from the District. The amount of the life insurance benefit is \$15,000 (\$25,000 in the case of District management employees).

**Funding Policy**

The contribution requirement of the District to contribute to the plan is established and may be amended by the Board. Currently, employees are not required to contribute to the plan. The District's contributions are calculated on a prefunding basis using entry age normal cost with investment gains and losses amortized over the remaining 24 year period with payments determined on a level percent of pay basis. The District has prefunded the actuarial accrued liability (AAL) based on a calculation of the annual required contribution certified by an actuarial valuation service. The District chose the California Employer Retiree Benefit Trust (CERBT) as the trustee for the plan. The District made the net contribution for fiscal year ended June 30, 2017 by paying health insurance providers or reimbursing to the retiree premiums paid by the retiree. These reimbursements were not funded by CERBT.

The District's policy is to fully fund the annual required contribution, which is determined by an actuary. For the year ended June 30, 2017, the District made the annual required contribution (ARC) of \$304,424. The required contribution for fiscal year 2016/2017 was determined as part of the June 1, 2015 actuarial valuation.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed thirty years.

For the year ended June 30, 2017, the District's annual required contribution for the healthcare plan was \$304,424. The District's annual OPEB cost contributed to the plan and the net obligation (asset) for the year ended June 30, 2017 were as follows:

Annual required contribution (ARC)				
Normal Cost		\$	167,083	
30-year amortization of funded liability			<u>116,683</u>	
Total annual required contribution			<u>283,766</u>	
Interest on net OPEB obligation (asset)			<u>20,658</u>	
Total annual OPEB cost			<u>304,424</u>	
Employer contributions paid for retirees			<u>(304,424)</u>	
Net increase (decrease) in Net OPEB obligation (asset)			<u>-</u>	
Net OPEB obligation (asset) - beginning of year			<u>-</u>	
Net OPEB obligation (asset) - end of year		\$	<u>-</u>	

The following table represents annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset).

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/15	\$ 295,134	\$ 295,134	100%	-
6/30/16	\$ 295,134	\$ 295,134	100%	-
6/30/17	\$ 304,424	\$ 304,424	100%	-

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial date, the actuarial accrued liability (AAL) was \$5,835,955 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,778,109. The District's plan was considered fully funded as June 30, 2008 because the District made a retrospective adoption prefunding the annual required contribution including the UAAL in the 2007-2008 fiscal year. While the initial unfunded actuarial accrued liability was fully funded as of June 30, 2008, investment losses and actual investment returns, compared to original assumptions, on the initial contribution created a \$1,778,109 unfunded accrued liability as of July 1, 2015 the most recent actuarial valuation date. The District has chosen to amortize the \$1,778,109 unfunded accrued liability over the remaining 24 year period with payments determined on a level percent of pay.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation cost method used for determining the benefit obligations is the Entry Age Normal. The Entry Age Normal cost method spreads plan costs for each participant from the entry date to the expected retirement date of prior service costs. The actuarial assumptions include a 7.2 percent discount rate, 2.75 percent wage inflation, and an annual healthcare cost medical trend of 8.5 percent initially, decreasing approximately 0.5 percent per year until reaching an ultimate rate of 4.5 percent for fiscal year ending 2023 and later. The unfunded actuarial accrued liability is being amortized as a level percent of pay basis over a 30-year fixed period, with 24 years remaining as of the most recent actuarial report.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

**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, 2017 was \$7,795,521. The financial statements for the South Placer Wastewater Authority are available online at [http://roseville.ca.us/finance/general\\_accounting/spwa.asp](http://roseville.ca.us/finance/general_accounting/spwa.asp)

The District is responsible for its share of maintenance and operation expenses incurred at the Regional Treatment plants based on the volume of flow from District lines as a percentage of total volume of flow into the plants. The total amount calculated for South Placer Municipal Utility District during the fiscal year ended June 30, 2017 for maintenance and operation expenses was \$4,711,758 and an additional \$1,415,169 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 plan 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, 2017, 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
Poppy Ridge II Annexation	\$ 3,620	36
Sierra College Annexation	\$ 2,951,158	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	\$ 794,490	70

**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, 2017  
LAST 10 YEARS\***

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

**Notes to Schedule:**

**Changes in assumptions:** In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 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 two years as shown. Fiscal year 2014 numbers are available from prior year disclosure information.

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

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN  
AS OF JUNE 30, 2017  
LAST 10 YEARS\***

	Fiscal Year-End	
	2017	2016
Contractually required contribution (actuarially determined)	\$ 190,991	\$ 164,024
Contributions in relation to the actuarially determined contributions	(190,991)	(164,024)
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	1,870,205	1,772,689
Contributions as a percentage of covered - employee payroll	10.21 %	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 two years as shown. Fiscal year 2015 numbers are available from prior year disclosure information.

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

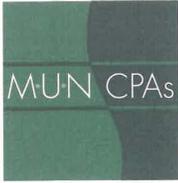
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)  
AS OF JUNE 30, 2017**

<u>Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
7/1/11	\$3,062,219	\$2,729,321	\$332,898	89.1%	\$1,387,068	24.0%
7/1/13	\$3,496,648	\$3,181,069	\$315,579	91.1%	\$1,425,554	22.1%
7/1/15	\$5,835,955	\$4,057,846	\$1,778,109	69.5%	\$1,725,708	102.6%

## Supplementary Information

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
AS OF JUNE 30, 2017**

	<u>Administrative and General</u>	<u>Collection and Treatment</u>	<u>Technical Services</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	\$ 1,138,555	\$ 1,497,029	\$ 740,689	\$ 3,376,273
CalPERS UAL	580,669	-	-	580,669
Insurance	98,407	-	-	98,407
Professional Services	28,602	7,315	23,726	59,643
Vehicle Expenses	-	111,386	-	111,386
Professional Development	13,628	14,457	5,299	33,384
Legal	111,568	-	-	111,568
Utility Billing / Banking Expenses	163,984	-	-	163,984
Operating Supplies	90,670	199,719	48,166	338,555
Capital Expenses	-	18,361	120,173	138,534
Uniform Expenses	-	15,440	688	16,128
Buildings / Utilities	-	181,246	-	181,246
RWWTP Expenses	-	<u>4,711,758</u>	<u>1,505,199</u>	<u>6,216,957</u>
<b>EXPENSES BEFORE DEPRECIATION</b>	<u>\$ 2,226,083</u>	<u>\$ 6,756,711</u>	<u>\$ 2,443,940</u>	<u>11,426,734</u>
Depreciation				<u>1,343,872</u>
<b>TOTAL OPERATING EXPENSES</b>				<u>\$ 12,770,606</u>



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

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

We have audited, in accordance with the 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, the financial statements of the business-type activities of the South Placer Municipal Utility District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the South Placer Municipal Utility District's basic financial statements, and have issued our report thereon dated January 4, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the South Placer Municipal Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Placer Municipal Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Placer Municipal Utility District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Sacramento, California  
January 4, 2018

# STATISTICAL SECTION

The Statistical Section provides historical information on South Placer Municipal Utility District’s economic condition. Specific objectives of each schedule are noted below:

## Contents

### Financial Trends Data

1. Revenues & Expenses Ten Year History

### Revenue Capacity Data

1. Sewer Service Charges – Utility Bill & Delinquent Accounts
2. Annual Sewer Charges
3. Charges/Revenue by User
4. EDU by Class
5. Largest Customers
6. EDUS PER YEAR
7. EDU Connections by Fiscal Year
8. EDU Projections
9. Largest Placer County Employers
10. Property Tax Assessments
11. Placer County Demographic Information



## FINANCIAL TRENDS DATA

### REVENUES & EXPENSES – TEN YEAR HISTORY

#### SPMUD REVENUES 07/08-16/17

REVENUES LAST TEN YEARS										
GENERAL FUND	FISCAL YR 07/08	FISCAL YR 08/09	FISCAL YR 09/10	FISCAL YR 10/11	FISCAL YR 11/12	FISCAL YR 12/13	FISCAL YR 13/14	FISCAL YR 14/15	FISCAL YR 15/16	FISCAL YR 16/17
SEWER SERVICE CHARGES REVENUES	\$ 7,126,337	\$ 7,250,894	\$ 7,827,078	\$ 8,599,106	\$ 9,489,453	\$10,260,093	\$10,202,898	\$10,758,026	\$ 10,911,091	\$ 11,196,600
PERMITS, PLAN CHECK FEES & INSP	\$ 76,833	\$ 102,231	\$ 53,592	\$ 51,049	\$ 44,720	\$ 132,774	\$ 538,228	\$ 274,971	\$ 443,885	\$ 475,524
PROPERTY TAXES	\$ 739,567	\$ 718,957	\$ 655,680	\$ 607,420	\$ 575,130	\$ 610,400	\$ 893,954	\$ 686,237	\$ 790,587	\$ 874,218
INTEREST	\$ -	\$ -	\$ 56,362	\$ 55,000	\$ 53,997	\$ 43,066	\$ 64,757	\$ 62,489	\$ 157,401	\$ 138,322
GAIN ON SALE FIXED ASSET DISPOSAL	\$ -	\$ 496,039	\$ -	\$ 7,279	\$ 312	\$ 4,039	\$ -	\$ -	\$ -	\$ (27,186)
OTHER REVENUES	\$ 14,534	\$ 39,219	\$ 9,523	\$ 15,979	\$ 10,551	\$ 12,271	\$ 14,544			\$ 23,435
<b>TOTAL GENERAL FUND</b>	<b>\$ 7,957,271</b>	<b>\$ 8,607,340</b>	<b>\$ 8,602,235</b>	<b>\$ 9,335,833</b>	<b>\$10,174,163</b>	<b>\$11,062,643</b>	<b>\$11,714,381</b>	<b>\$11,781,723</b>	<b>\$ 12,302,964</b>	<b>\$ 12,680,913</b>
<b>CAPITAL OUTLAY FUND</b>										
SEWER PARTICIPATION FEES	\$ 684,300	\$ 696,125	\$ 376,895	\$ 267,268	\$ 411,250	\$ 680,755	\$ 1,005,529	\$ 888,198	\$ 1,443,773	\$ 4,629,971
INTEREST	\$ 1,917,496	\$ 1,059,780	\$ 596,744	\$ 564,371	\$ 589,020	\$ 552,254	\$ 480,439	\$ 451,475	\$ 668,203	\$ 365,277
LOAN REPAYMENT NSD - PRSC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,176
INTEREST & INVESTMENT/NSD - PRSC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,287
<b>TOTAL CAPITAL OUTLAY FUND</b>	<b>\$ 2,601,796</b>	<b>\$ 1,755,905</b>	<b>\$ 973,639</b>	<b>\$ 831,639</b>	<b>\$ 1,000,270</b>	<b>\$ 1,233,009</b>	<b>\$ 1,485,968</b>	<b>\$ 1,339,673</b>	<b>\$ 2,111,976</b>	<b>\$ 5,432,711</b>
<b>TOTAL SPMUD REVENUE</b>	<b>\$10,559,067</b>	<b>\$10,363,245</b>	<b>\$ 9,575,874</b>	<b>\$10,167,472</b>	<b>\$11,174,433</b>	<b>\$12,295,652</b>	<b>\$13,200,349</b>	<b>\$13,121,396</b>	<b>\$14,414,940</b>	<b>\$ 18,113,624</b>

## SPMUD EXPENSES 07/08 – 16/17

EXPENSES LAST TEN YEARS										
GENERAL FUND EXPENDITURES	FISCAL YR 07/08	FISCAL YR 08/09	FISCAL YR 09/10	FISCAL YR 10/11	FISCAL YR 11/12	FISCAL YR 12/13	FISCAL YR 13/14	FISCAL YR 14/15	FISCAL YR 15/16	FISCAL YR 16/17
Salaries/Wages	\$ 1,020,000	\$ 1,500,000	\$ 1,501,373	\$ 1,552,005	\$ 1,496,688	\$ 1,547,000	\$ 1,640,392	\$ 1,891,190	\$ 1,945,270	\$ 2,021,529
FICA - Social Security	\$ 107,666	\$ 110,200	\$ 114,274	\$ 66,153	\$ 118,921	\$ 116,139	\$ 128,272	\$ 148,119	\$ 139,092	\$ 134,846
CalPERS Retirement	\$ 370,000	\$ 395,000	\$ 436,641	\$ 424,438	\$ 447,725	\$ 346,649	\$ 371,688	\$ 303,641	\$ 264,783	\$ 459,750
CalPERS UAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 580,669
457 Retirement	\$ 9,500	\$ 9,500	\$ 17,325	\$ 17,550	\$ 31,700	\$ 34,725	\$ 34,200	\$ 45,575	\$ 42,608	\$ 46,575
401a Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Benefits	\$ 395,000	\$ 454,000	\$ 457,849	\$ 337,495	\$ 550,777	\$ 532,148	\$ 376,190	\$ 486,146	\$ 505,353	\$ 496,889
Pers OPEB	\$ -	\$ -	\$ -	\$ -	\$ 63,737	\$ 108,477	\$ 183,883	\$ 185,422	\$ 203,965	\$ 216,683
<b>Sub Total Salaries &amp; Benefits (Sum Line)</b>	<b>\$ 1,902,166</b>	<b>\$ 2,468,700</b>	<b>\$ 2,527,462</b>	<b>\$ 2,397,641</b>	<b>\$ 2,709,548</b>	<b>\$ 2,685,138</b>	<b>\$ 2,734,625</b>	<b>\$ 3,060,092</b>	<b>\$ 3,101,070</b>	<b>\$ 3,956,940</b>
Property & Liability Insurance	\$ 108,000	\$ 110,000	\$ 118,030	\$ 119,000	\$ 119,931	\$ 117,708	\$ 95,021	\$ 93,933	\$ 92,070	\$ 98,407
Professional Services	\$ 18,908	\$ 19,908	\$ 28,000	\$ 25,274	\$ 81,422	\$ 101,306	\$ 262,244	\$ 360,800	\$ 33,848	\$ 59,642
Vehicle Repair and Maintenance	\$ 15,454	\$ 21,954	\$ 29,169	\$ 36,000	\$ 48,578	\$ 49,166	\$ (31,330)	\$ (1,561,731)	\$ 55,333	\$ 82,277
Professional Development	\$ 12,618	\$ 28,500	\$ 25,209	\$ 33,720	\$ 30,432	\$ 31,482	\$ 22,987	\$ 19,893	\$ 31,479	\$ 33,384
Legal Services	\$ 65,172	\$ 75,172	\$ 66,118	\$ 76,102	\$ 87,198	\$ 99,997	\$ -	\$ -	\$ 74,276	\$ 111,568
Utility Billing/Banking Expense	\$ 54,371	\$ 78,888	\$ 77,540	\$ 82,824	\$ 81,013	\$ 107,185	\$ 50,339	\$ 60,028	\$ 150,350	\$ 163,984
Other Operating Expense	\$ 14,497	\$ 16,733	\$ 42,828	\$ 45,195	\$ 32,799	\$ 40,000	\$ 10,652	\$ 11,565	\$ 66,113	\$ 19,892
General Operating Supplies & Mainten	\$ 57,862	\$ 67,682	\$ 63,493	\$ 74,000	\$ 78,123	\$ 108,993	\$ 122,137	\$ 1,282,457	\$ 139,038	\$ 158,048
Gas & Oil Expenses	\$ 27,544	\$ 31,044	\$ 24,981	\$ 41,046	\$ 57,067	\$ 54,215	\$ 130,162	\$ -	\$ 25,617	\$ 29,109
Utilities	\$ 40,873	\$ 46,873	\$ 66,753	\$ 63,548	\$ 61,833	\$ 77,489	\$ 78,803	\$ 97,376	\$ 105,851	\$ 134,642
Repair/Maintenance Agreements	\$ 20,000	\$ 20,000	\$ 26,428	\$ 23,177	\$ 19,054	\$ 25,423	\$ 1,486	\$ 350	\$ 56,212	\$ 74,792
Regulatory Compliance/Government F	\$ -	\$ -	\$ 22,727	\$ 29,261	\$ 21,337	\$ 16,775	\$ -	\$ 13	\$ 13,857	\$ 39,289
Lift Station & Flow Recorder Programs	\$ 20,000	\$ 21,011	\$ 17,939	\$ 29,508	\$ 28,829	\$ 30,705	\$ -	\$ -	\$ 29,600	\$ 46,533
Building & Grounds Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,467	\$ -	\$ -	\$ 11,266	\$ 39,810
Asphalt Paving	\$ -	\$ -	\$ 481,520	\$ 834,852	\$ 476,812	\$ -	\$ -	\$ (106,503)	\$ -	\$ 6,795
Safety Gear/Uniforms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,266	\$ 16,128
<b>Sub Total Local SPMUD General Fund E</b>	<b>\$ 455,299</b>	<b>\$ 537,765</b>	<b>\$ 1,090,735</b>	<b>\$ 1,513,507</b>	<b>\$ 1,224,428</b>	<b>\$ 1,096,911</b>	<b>\$ 742,501</b>	<b>\$ 258,181</b>	<b>\$ 896,176</b>	<b>\$ 1,114,300</b>
RWWTP Maintenance & Operations	\$ 4,485,872	\$ 4,485,872	\$ 4,429,845	\$ 3,779,816	\$ 3,653,732	\$ 3,000,590	\$ 3,513,935	\$ 4,098,779	\$ 4,513,821	\$ 4,711,758
RWWTP Rehab & Replacement	\$ 1,250,000	\$ 1,250,000	\$ 1,400,016	\$ 2,624,340	\$ 1,138,699	\$ 1,065,997	\$ 1,204,220	\$ 1,956,905	\$ 1,312,368	\$ 1,505,199
<b>Sub Total SPWA O&amp;M + R&amp;R Expenses</b>	<b>\$ 5,735,872</b>	<b>\$ 5,735,872</b>	<b>\$ 5,829,861</b>	<b>\$ 6,404,156</b>	<b>\$ 4,792,431</b>	<b>\$ 4,066,587</b>	<b>\$ 4,718,155</b>	<b>\$ 6,055,684</b>	<b>\$ 5,826,189</b>	<b>\$ 6,216,957</b>
<b>Total Operations Expense before Depr</b>	<b>\$ 8,093,337</b>	<b>\$ 8,742,337</b>	<b>\$ 9,448,058</b>	<b>\$ 10,315,304</b>	<b>\$ 8,726,407</b>	<b>\$ 7,848,636</b>	<b>\$ 8,195,281</b>	<b>\$ 9,373,957</b>	<b>\$ 9,823,435</b>	<b>\$ 11,288,197</b>
Depreciation expense	\$ 1,059,168	\$ 1,067,596	\$ 1,059,168	\$ 1,067,596	\$ 1,052,093	\$ 1,022,054	\$ 1,088,844	\$ 1,163,361	\$ 1,381,819	\$ 1,343,872
<b>Total General Fund O&amp;M Expenses (Su</b>	<b>\$ 9,152,505</b>	<b>\$ 9,809,933</b>	<b>\$ 10,507,226</b>	<b>\$ 11,382,900</b>	<b>\$ 9,778,500</b>	<b>\$ 8,870,690</b>	<b>\$ 9,284,125</b>	<b>\$ 10,537,318</b>	<b>\$ 11,205,254</b>	<b>\$ 12,632,069</b>

## REVENUE CAPACITY DATA

### *1. Assigned Accounts sent to Placer County for collections under Property Taxes*

DELINQUENT ACCOUNTS ASSIGNED TO PROPERTY TAXES						
2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
224,343	225,380	228,213	244,174	222,718	272,985	257,783



2. *Historical Sewer Service Charges & Connection Fees*

<b><u>Fiscal Year</u></b>	<b><u>12/13</u></b>	<b><u>13/14</u></b>	<b><u>14/15</u></b>	<b><u>15/16</u></b>	<b><u>16/17</u></b>
<b>Service Charge</b>	\$28.00	\$28.00	\$28.00	\$28.00	\$28.00
<b>Connection Fee</b>	2,500	2,500	2,100	\$3,000	\$3,750

3. *Charges by User*

<b>South Placer Municipal Utility District Wastewater Service Charge Revenue by Class of User Fiscal Year Ended June 30, 2017</b>		
<b>Class of User</b>	<b>Revenue</b>	<b>Percentage of Revenue</b>
Residential	\$8,687,616	78%
Commercial	\$2,218,272	19%
Educational	\$280,125	3%
	<b>\$11,186,013</b>	<b>100.0%</b>

4. *EDU Connections by Class*

<b>South Placer Municipal Utility District Number of Equivalent Dwelling Units and Connections by Class of User As of June 30, 2017</b>			
<b>Class of User</b>	<b>Equivalent Dwelling Units</b>	<b>Connections</b>	<b>Percentage of Connections</b>
Residential	25,856	21,175	96%
Commercial	6,602	1000	4%
Educational <sup>(1)</sup>	367	NA	NA
<b>Total Users</b>	<b>32,825</b>	<b>22,175</b>	<b>100.00%</b>

5. Largest District Users

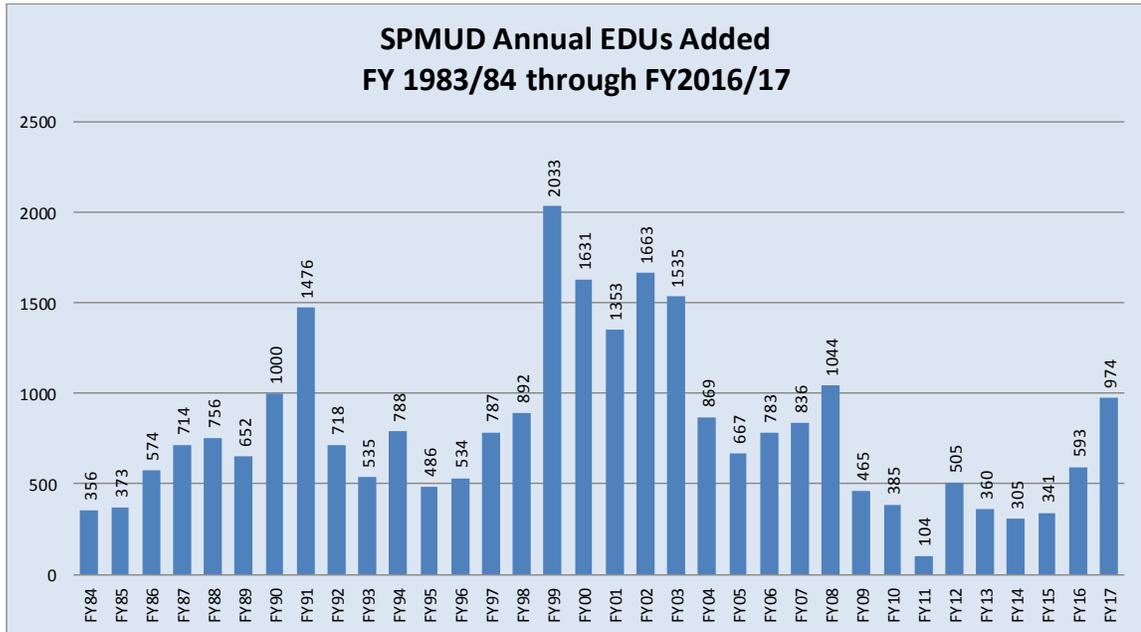


South Placer Municipal Utility District	
Six Largest Users	
Fiscal Year Ended June 30, 2017	
User	Revenue
William Jessup University	\$59,560
Rocklin High School District (3 schools)	\$85,658
Rocklin Elementary School District (13 schools)	\$74,312
Del Oro High School (PUHSD)	\$32,230
Sierra College	\$28,365
Walmart Rocklin	\$28,264
	\$308,389

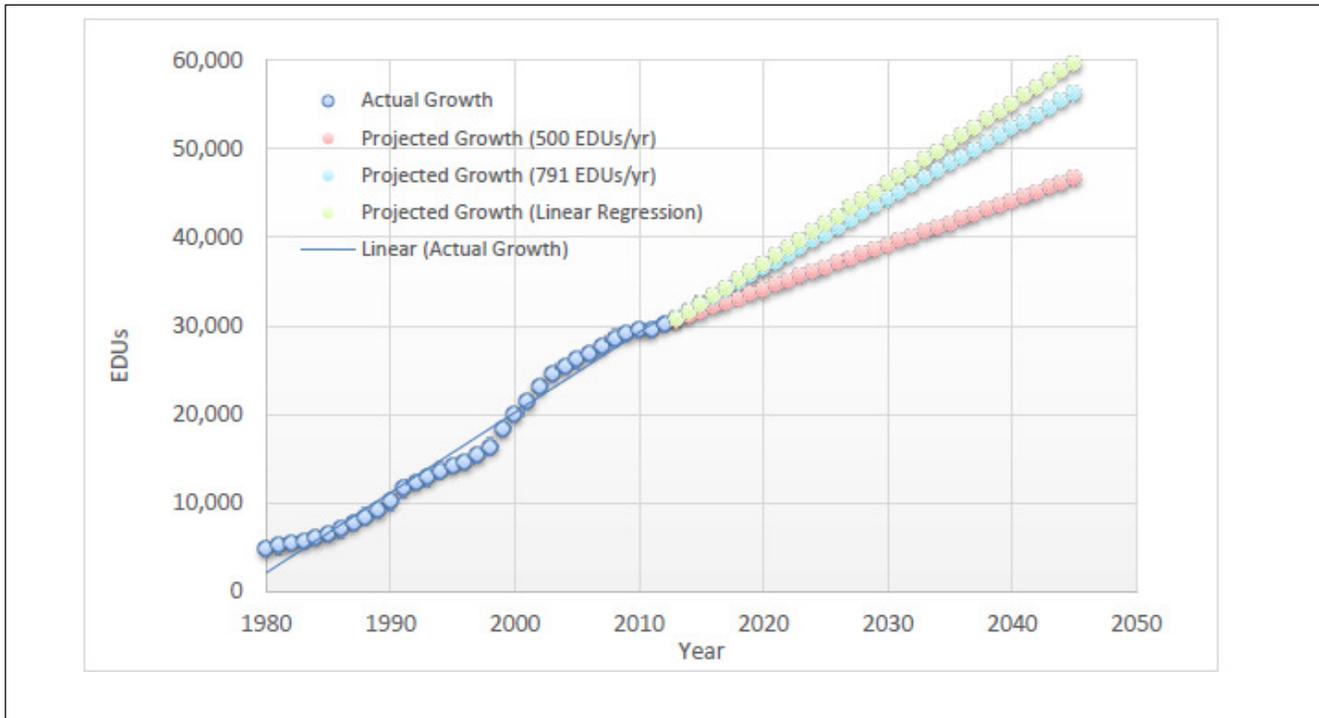
6. Equivalent Dwelling Units per Year

EQUIVALENT DWELLING UNITS ON SERVICE			
FISCAL YEAR	TOTAL EDU'S	INCREASE	% INCREASE
2006/07	27,790	836	3%
2007/08	28,665	1,044	4%
2008/09	29,130	465	2%
2009/10	29,515	385	1%
2010/11	29,619	104	0%
2011/12	30,124	505	2%
2012/13	30,419	295	1%
2013/14	30,924	505	2%
2014/15	31,241	317	1%
2015/16	31,834	593	2%
2016/17	32,825	974	3%

7. EDU Connections by Fiscal Year from FY 83/84 to 16/17



8. EDU Projections – SPMUD SECAP (May 15)



9. Property Tax Assessments FY 11/12 – 16/17

**PROPERTY TAXES RECEIVED**

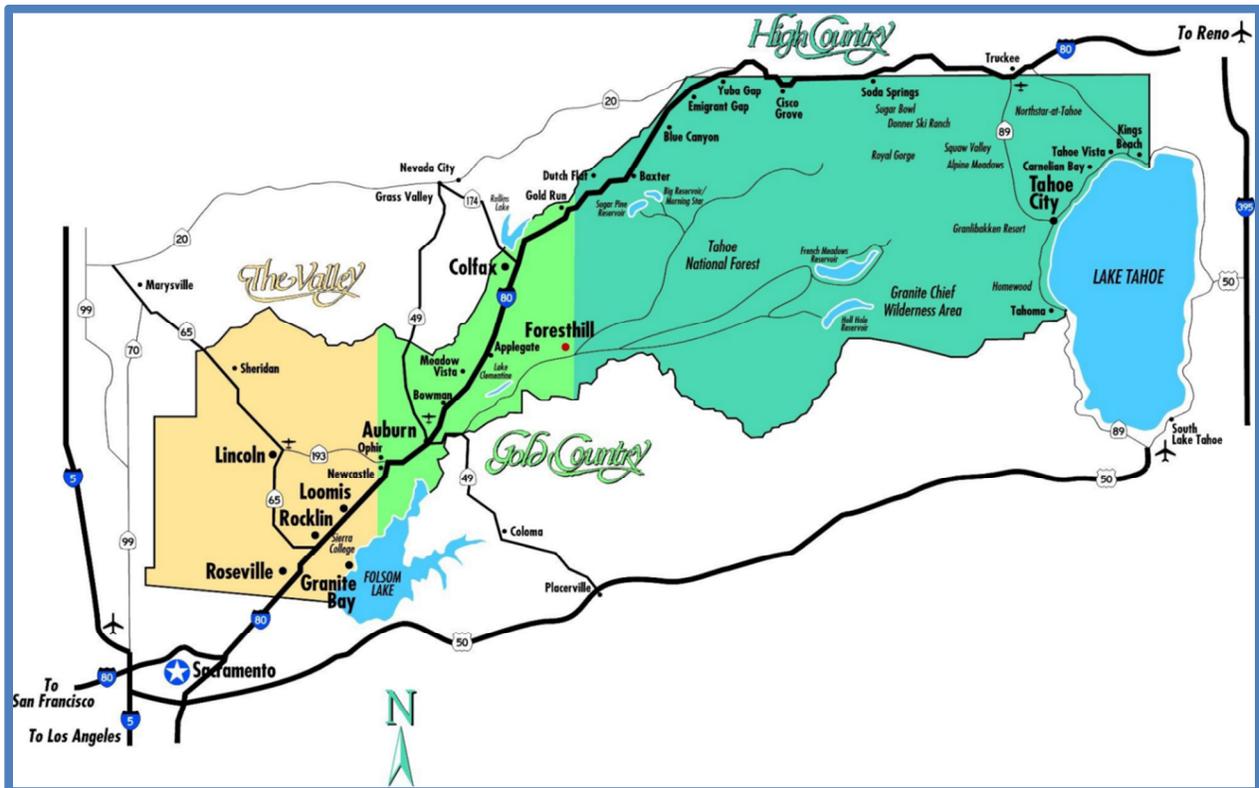
FY 2011/12	\$	575,130
FY 2012/13	\$	863,502
FY 2013/14	\$	893,953
FY 2014/15	\$	871,422
FY 2015/16	\$	790,586
FY 2016/17	\$	874,218

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

1. Placer County Demographic Data

Census	Estimates Base	2010	2011	2012	2013	2014	2015	2016
348,432	348,494	350,234	356,783	361,018	366,435	370,486	374,383	380,531

Provided by US Census Bureau



2. Largest Placer County Employers

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
<u>Adventist Health</u>	Roseville	Health Services
<u>Alpine Meadows</u>	Alpine Meadows	Resorts
<u>AT&amp;T</u>	Auburn	Telephone Companies
<u>Backyard Bar &amp; BBQ</u>	Truckee	Restaurants
<u>Consolidated Communications</u>	Roseville	Communications
<u>County Jail</u>	Tahoe City	Government Offices-County
<u>Golfland Sunsplash</u>	Roseville	Water Parks
<u>Hewlett-Packard</u>	Roseville	Computer & Equipment Dealers
<u>Kw Commercial</u>	Roseville	Real Estate
<u>Northstar California</u>	Truckee	Resorts
<u>Oracle</u>	Rocklin	Computer Software-Manufacturers
<u>Placer County Food Stamps</u>	Auburn	County Government-Social/Human Resources
<u>Placer County Office of Edu</u>	Auburn	Schools
<u>Placer County Sheriff</u>	Auburn	Government Offices-County
<u>Pride Industries</u>	Roseville	Employment Agencies & Opportunities
<u>Resort At Squaw Creek</u>	Alpine Meadows	Resorts
<u>Ritz-Carlton Club Lake Tahoe</u>	Truckee	Hotels & Motels
<u>Sheriff's Training</u>	Auburn	Government Offices-County
<u>Sugar Bowl Resort</u>	Norden	Hotels & Motels
<u>Sugar Bowl Ski Area Group Sls</u>	Norden	Skiing Centers & Resorts
<u>Sutter Auburn Faith Hospital</u>	Auburn	Hospitals
<u>Sutter Roseville Medical Ctr</u>	Roseville	Hospitals
<u>Tasq Technology</u>	Roseville	Importers (Whls)
<u>Thunder Valley Casino Resort</u>	Lincoln	Casinos
<u>Unfi Western Region Div</u>	Rocklin	Food Products (Whls)

## **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)

