



SOUTH PLACER MUNICIPAL UTILITY DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2020

SOUTH PLACER MUNICIPAL UTILITY DISTRICT | 5807 SPRINGVIEW DRIVE, ROCKLIN CA 95677

Strategic Plan

VISION

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

CORE VALUES

Integrity: We will be trustworthy, truthful, and honest.

Stewardship: We will be accountable and committed to responsible management and respect our environment.

Service: We will be responsive, dependable, and respectful; putting the needs of the District and customers first.

Quality: We will be dedicated to continuous improvement.

STRATEGIC GOALS

Customer Service: Provide an efficient and effective level of sewer service that meets customer and stakeholder expectations.

Sustainability: By taking advantage of opportunities to invest in energy efficiency, renewable energy, water and wastewater management, and other sustainable practices to improve the District's fiscal health and economic prosperity of the residents and businesses that are served by the District.

Infrastructure Management and Capital Improvement: Provide professional, technical, construction, and engineering services that ensure the best possible facilities for the District now and in the future.

Sewer System Maintenance and Watershed Management: Maintain and improve the District's infrastructure in a cost-effective manner to ensure delivery of reliable, high-quality service now and in the future. Meet or surpass water quality, environmental, regulatory, and public health standards, while maintaining the public trust.

Financial Stability: Manage the District's finances to support district needs and maintain reasonable wastewater rates.

Workforce Planning and Employee Development: Provide a collaborative team-oriented workforce that is fully trained, fairly compensated, and accountable with clearly defined career paths for the evolving work environment.

Operational Optimization: Improve functions that support the District's administrative, financial, technical, and field activities and provide the best service to the customer.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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INTRODUCTORY SECTION



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

TRANSMITTAL LETTER

November 6, 2020

To the Honorable SPMUD Board Directors:

In accordance with the requirements of the Municipal Utility District Act of the State of California, (California Public Utilities Code Section 11501, et.al.), the South Placer Municipal Utility District (the District or SPMUD) staff submits to you the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. The CAFR provides an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information. District Management is responsible for the preparation of this CAFR. This letter of transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it.

FINANCIAL STATEMENTS AND INTERNAL CONTROLS

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. Management has established a comprehensive framework of internal controls that provide a reasonable basis to assert that these financial statements are fairly represented and are free from any material misstatements. Internal controls have inherent limitations but have been established such that the cost of the controls does not exceed the benefits derived from their implementation. The District has established these internal controls, implemented policies and procedures, and retained the services of an outside accountant to 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. In the 1970s, the District decommissioned its sewage treatment facilities and began using the City of Roseville Dry Creek Wastewater Treatment Plant.

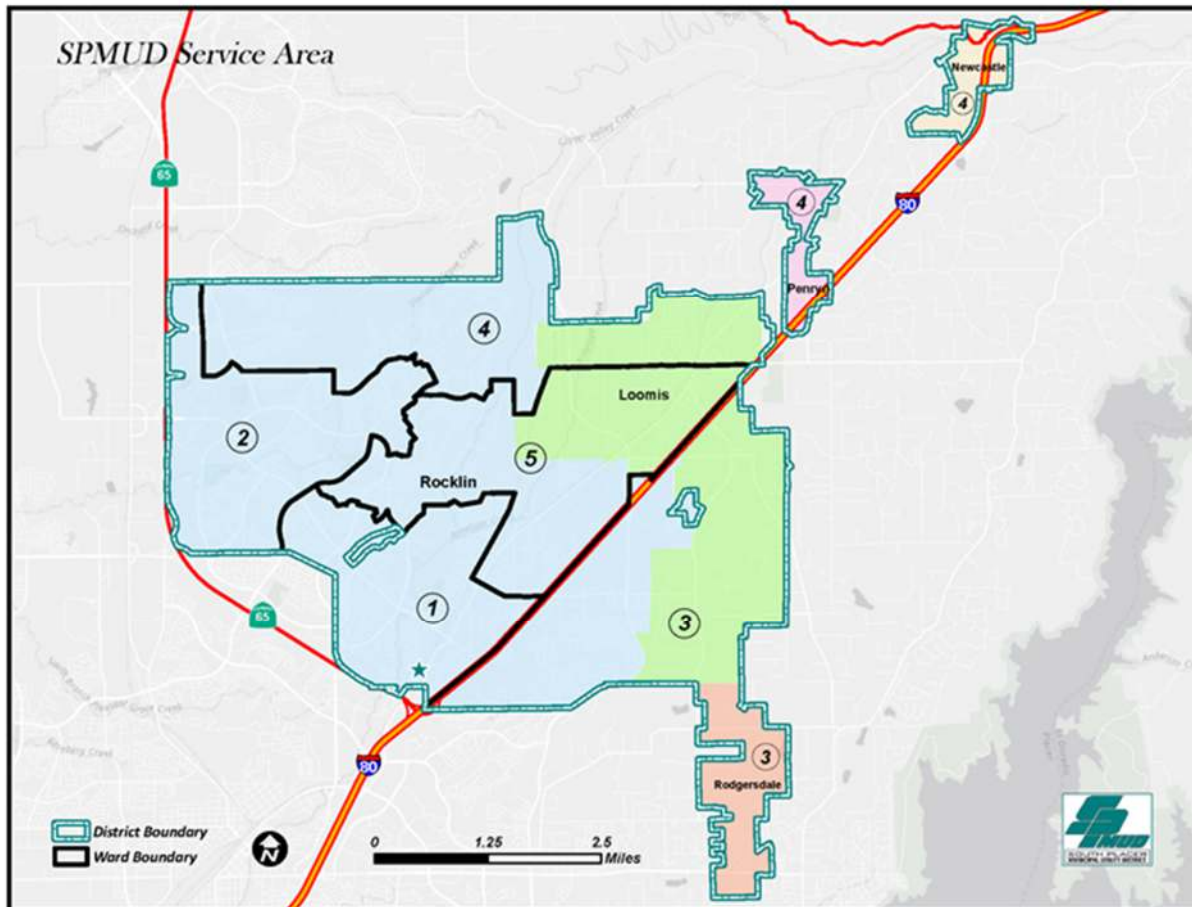
In the 1980s, the name changed to South Placer Municipal Utility District to reflect its larger service area. In 2000, the District, the City of Roseville, and Placer County (PC) created the South Placer Wastewater Authority (SPWA) to finance the construction of the Pleasant Grove Wastewater Treatment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



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, California, 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 operated by the City of Roseville.

The SPMUD service area covers 31 square miles. The District provides service to 23,888 customers (80% residential and 20% commercial); this equates to 34,859 Equivalent Dwelling

FIGURE 1 – SPMUD BOUNDARIES



Units (EDU) or an equivalent population of about 77,000 people. Our customers discharge an average sewer flow of about five million gallons per day. The District collects the sewage and transports it via 285 miles of district-owned and operated sewer mains (from 4" to 42" diameter). The District maintains an additional 111 miles of lower laterals within our easement or public right-of-way. Other assets include our headquarters, maintenance, and corporation yard facilities, 6,706 manholes/flushing branches, 13 lift stations, 12 metering sites, and related buildings, facilities, and equipment.

The monthly service charge for fiscal year 19/20 was \$36.00 per equivalent dwelling unit (EDU). Local Participation Fees were \$4,014 per EDU.

INVESTING IN INFRASTRUCTURE

The District's customers have high expectations 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, 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.

Above grade creek crossings represent a unique and special risk to the District. By default, above grade creek crossings are potential High-Risk Facilities 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 Order No. 2006-0003-DWQ, the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. 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.

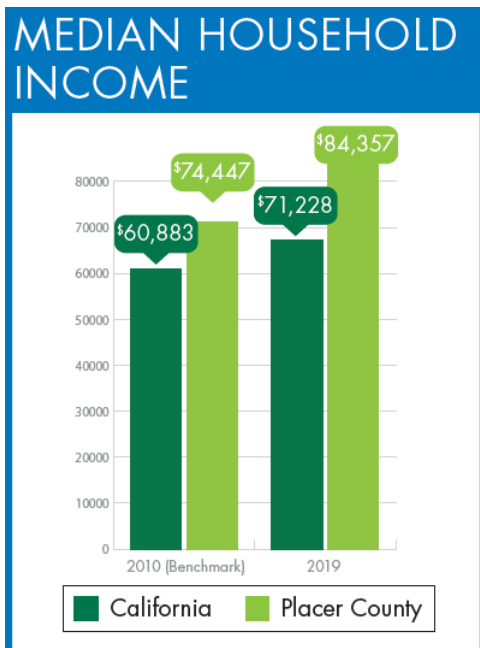
LOCAL ECONOMIC CONDITIONS

Placer County is in the northern portion of the Sacramento Valley and has an eastern border that touches the Nevada state line. Placer County is one of the top 5 fastest growing counties in the State. Placer County has a population of 403,711¹ people and approximately 176,300² wage and salary jobs. The median household income in Placer County is \$84,357³.

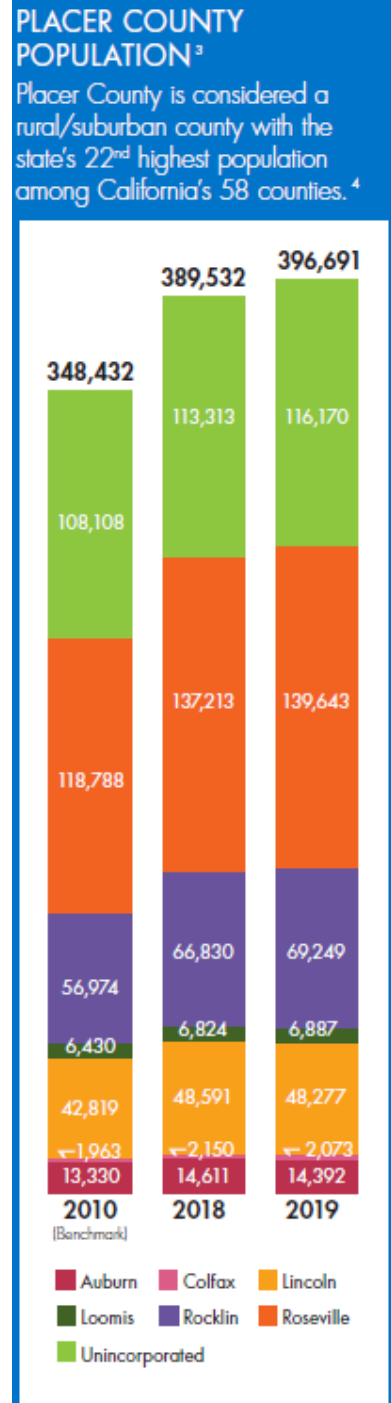
The COVID-19 Pandemic has had a drastic impact on the state of the economy. California's unemployment rate rose to a record high of 16.4% in April and May before decreasing to 14.9% in June compared to the pre-recession low of 3.9% in February¹. Unemployment across the South Placer region also increased in fiscal year 2020, though less drastically than California as a whole, beginning the year at 3.3% and ending the year at 7.7%².

The largest employment losses were observed in the service sector including restaurants, gyms, salons, and in-person retail stores as businesses were shuttered to prevent the spread of the virus.

California's population grew by only 0.2%, adding 87,494 new residents in 2019, continuing a historically slow growth trend since the Great Recession.



Growth remains strong in the interior counties of the Central Valley and the Inland Empire, while remaining modest in the Bay Area, and slowing to near zero and even negative in most of the coastal counties. The 2019/2020 population growth in Placer County was 2%. The City of Rocklin is the ninth fastest growing city in the State of California for cities with a population over 30,000¹.



¹ State of California, Department of Finance

² State of California, Employment Development Department

³ Placer County Profile www.placer.ca.gov

2019-2020 City Population Percent Change Rankings

10 Fastest Growing Cities with Populations Over 30,000			
City	County	Population January 1, 2020	Percent Change
1. Beaumont	Riverside	51,475	3.72%
2. Folsom	Sacramento	81,610	3.08%
3. Roseville	Placer	145,163	2.73%
4. Menifee	Riverside	97,093	2.49%
5. Dublin	Alameda	65,716	2.47%
6. Merced	Merced	88,120	2.37%
7. Los Gatos	Santa Clara	31,439	2.34%
8. Milpitas	Santa Clara	77,961	2.30%
9. Rocklin	Placer	70,350	2.24%
10. Clovis	Fresno	119,175	2.20%

California Department of Finance Demographic Research Unit

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 a low cost. The District currently has one of the lowest monthly service charges for sewer service.

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

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

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

COVID-19 IMPACTS

The COVID-19 Pandemic has had a drastic impact on the State and impacted the operations and finances of the District.

On March 4, 2020, the Governor of the State of California declared a State of Emergency to exist in California due to the threat of Novel Coronavirus 2019 (COVID-19). On March 12, 2020, the Governor issued Executive Order N-25-20 in further response to the spread of COVID-19, mandating compliance with state and local public health officials as pertains to measures to control the spread of COVID-19. In response to the Governor's Executive Order N-33-20, which ordered a Shelter-in-Place on all non-essential operations within the State, on March 18, 2020, the District closed the Business Office at 5807 Springview Drive to the public. On April 2, 2020, the Board of Directors declared an emergency to exist in the District as a result of the threat of COVID-19. In declaring the State of Emergency, the Board directed that the General Manager may take all actions necessary, proper, and appropriate in his reasonable discretion to ensure the continuous operation of the District, the safety of employees, and the safety of the public, including, but not limited to, reasonable deviations from Ordinances, Resolutions, Policies, and Procedures adopted by the Board of Directors. In addition, the Board accepted the Pandemic Illness/Workforce Shortage Continuity of Operations Guide.

Initially, the District responded to the outbreak by requiring social distancing and limited exposure. The District reduced the Administrative Services and Technical Services personnel working in the office by allowing staff to work from home through Virtual Private Networks (VPN). The District required all employees identified as having an elevated risk to work from home. Field Services personnel were no longer allowed to have two employees in a vehicle. Crews were required to drive separate vehicles to complete work orders in order to maintain social distancing. Crew shifts were staggered to lower the number of workers in the office at any time.

No customer payments were being accepted over the counter, and the District accepted payments by phone, mail, electronically, and through the drop box. The District suspended the delinquent payment penalty through the end of the fiscal year.

In the fourth quarter of fiscal year 19/20, the District experienced a slowdown in new connections. The District projected \$3 Million in Participation Fee (Fund 300) revenue in FY 19/20. Due to the COVID-19 outbreak, as of fiscal year-end, the District had collected only \$1.44 Million in participation fee revenues. While not initially apparent, in the final quarter of the year, the District also started to see the impact of COVID-19 on the Fund 100 revenues from the monthly sewer charges which may increase delinquent charges sent to the Placer County tax rolls in fiscal year 20/21.

The District office was reopened to the public on June 1, 2020. Normal operations were resumed subject to social distancing requirements.

PUBLIC OUTREACH

The District conducts regular Board Meetings that are open to the public. Meetings have been held virtually with instructions for computer and phone access provided to the public during the pandemic. Meetings are normally held on the first Thursday of the month. Dates can be found on the District website. The District's website continues to be updated to be more informative, and easier to use and provides information about SPMUD's activities. The website can be found at www.spmud.ca.gov.

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. The District publishes two newsletters per year that are transmitted as bill inserts typically in the fall and spring. The primary focus of these newsletters is to inform customers of District activities and achievements and to inform customers of their ability to prevent sanitary sewer overflows.

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 financial 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 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 providing 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 into their respective fund centers. Those projects designated as Capital Replacement & Rehabilitation (R&R) projects will 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 will 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.

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

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

The District's 5-year financial plan and cost of service study include a capital improvement plan to take the district out to fiscal year 21/22 and contains District planned construction of R&R projects, CIP projects, and General Fund projects.

DISTRICT HONORS

In 2016 and 2019, 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.





More recently, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Placer Municipal Utility District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is the highest form of recognition for governmental accounting and financial reporting, and its attainment represents a significant accomplishment by the District.

ANNUAL FINANCIAL REPORT CONTRIBUTING STAFF

Herb Niederberger	General Manager
Emilie Costan	Administrative Services Manager and Board Secretary
Eric Nielsen	Superintendent
Carie Huff	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.



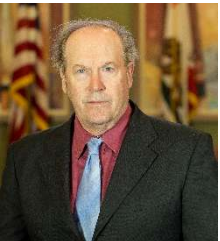
William Dickinson

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.



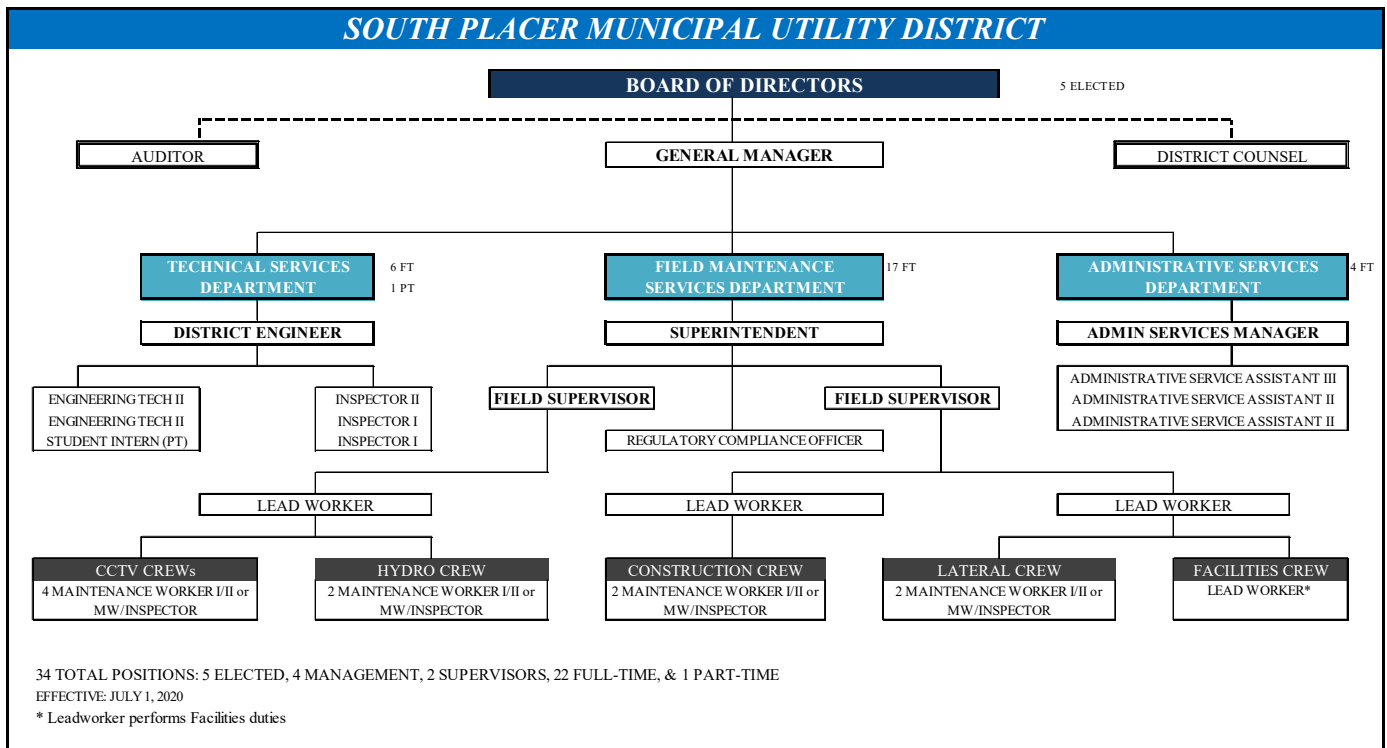
James Williams

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 20/21



FINANCIAL SECTION



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 South Placer Municipal Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of South Placer Municipal Utility District as of June 30, 2020, 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 schedules of changes in the District's net OPEB liability and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, on our consideration of the South Placer Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Placer Municipal Utility District's internal control over financial reporting and compliance.



Sacramento, California
November 6, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

For the Fiscal Year Ending June 30, 2020 (FY 19/20)

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 (the District or SPMUD) from a management's perspective. This report provides an indication of the District's financial performance for the fiscal year beginning on July 1, 2019, and ending June 30, 2020 (FY 19/20), and should be reviewed in conjunction with the audited financial statements, which follow this MDA.

FINANCIAL HIGHLIGHTS

In May 2017, the District Board of Directors approved a 5-year financial plan and cost of service study which resulted in an increase in wastewater rates for the first time in five 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 providing 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:

1. Fully funding the District's obligations to CalPERS.
2. Fully funding the District's Annual Required Contribution (ARC) for Other Post-Employment Benefits (OPEB).
3. Maintaining minimum reserve fund balances.
4. Meeting the Debt Coverage Ratio mandated by the South Placer Wastewater Authority (SPWA) debt indenture.
5. Providing adequate funding for Capital Investments.

Table 1 compares major District growth metrics for the last two fiscal years. The District added 458 new customer accounts in FY 19/20. Sewer Service Charges increased by 7.3% due to rate increases as well as the addition of customer accounts and corresponding increases to Equal Dwelling Units.

The District's growth remained steady over the reporting period but was lower than the projections contained in the 5-year Financial Plan due to a slowdown in the overall economy as a result of the COVID-19 pandemic. On July 1, 2019, rates were increased from \$34/month/EDU to \$36/month/EDU. The District has continued to invest in infrastructure as well as maintain a relatively stable amount of investment in rehabilitation and replacement of aging facilities.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 1 – ANNUAL DISTRICT GROWTH

Item	Unit	FY 19/20	FY 18/19	% Change
Service Charges	Dollars	\$15,383,211	\$14,336,548	7.3%
Customer Accounts	Each	23,888	23,430	2.0%
Equal Dwelling Units	EDU	34,859	34,174	2.0%
Service Fee per EDU	Monthly	\$36	\$34	5.9%
Annual Flow to WWTP	Million Gallons	1,642	1,533	7.1%
Sewer Mains	Miles	285	280.32	1.7%
Lower Service Laterals	Miles	111	108.5	2.3%
Manhole/Flushing Branch	Each	6706	6619	1.3%
Lift Stations	Each	13	13	0.0%
Force Mains	Miles	7	6.8	2.9%

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 with additional information required by generally accepted accounting principles (GAAP). The Management Discussion and Analysis is required supplementary information to the basic financial statements.

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the assets and deferred outflows and the liabilities and deferred inflows is reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position accounts 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 a detail of 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.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

The Condensed Statement of Net Position as shown below in Table 2 shows the District is investing in capital assets and has no long-term debt⁴.

TABLE 2 – STATEMENT OF NET POSITION

<u>ASSETS</u>	<u>FY 19/20</u>	<u>FY 18/19</u>	<u>\$Difference</u>	<u>% Change</u>
Current and Other Assets	\$ 67,364,489	\$ 60,830,485	\$ 6,534,004	11%
Capital Assets	98,277,454	89,388,724	\$ 8,888,730	10%
Total Assests	165,641,943	150,219,209	15,422,734	10%
Deferred Outflow of Resources	2,009,333	2,170,237	(160,904)	-7%
<u>LIABILITIES</u>				
Current Liabilities	1,202,896	1,018,137	184,759	18%
Long Term Liabilities	6,423,191	6,341,230	81,961	1%
Total Liabilities	7,626,087	7,359,367	266,720	4%
Deferred Inflow of Resources	1,243,473	1,100,206	143,267	13%
<u>Net Position</u>				
Net Investment in Captial Assets	98,277,454	89,388,724	8,888,730	10%
Unrestricted	60,504,262	54,541,149	5,963,113	11%
Total Net Position	158,781,716	143,929,873	14,851,843	10%
Total Liabilities. Deferred inflows of Resources and Net Position	\$ 167,651,276	\$ 152,389,446	\$ 15,261,830	10%

When comparing FY 19/20 to FY 18/19, Total Assets and Deferred Outflows increased by \$15.26 Million while Total Liabilities and Deferred Inflows increased by \$0.40 Million. This resulted in an overall increase of \$14.85 Million in Net Position.

Key components in the increase are as follows:

- Capital assets increased \$8.888 Million in FY 19/20. A total of \$1.536 Million in capital projects were completed for needed upgrades, replacements, and installation of new District facilities and equipment as well as \$9.855 Million in sewer asset contributions from new development. This was offset by annual depreciation totaling \$1.889 Million.
- Current and Other Assets reflect a net increase of \$6.534 Million, which is the net effect of increased revenue from scheduled rate increases, an increase in EDU's from development related activities, and decreased operations and maintenance expenses.

⁴ For more information see the section titled Debt Administration.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

- Deferred outflows decreased \$0.161 Million (-7%) reflecting the differences between the actuarial assumptions and actual results along with the net differences between projected and actual earnings on investments in the Retirement Plan offset by the change in assumptions in the OPEB Plan.
- Total liabilities increased by \$0.266 Million in FY 19/20.
- The increase in deferred inflows of \$0.143 Million reflects the changes in actuarial assumptions for pension and OPEB in FY 19/20.

Net Position Related to Pensions

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.

An Actuarial Valuation report required by GASB 68, *Cost Sharing Multiple Employer Pension Plan* was completed by the District's Actuary, MacLeod Watts. The District's Total Pension Liability increased from \$18,544,797 (reported June 30, 2019, measured June 30, 2018) to \$20,187,251 (reported June 30, 2020, measured June 30, 2019). Over the same time period, the Fiduciary Net Position increased from \$13,899,289 to \$15,124,624, yielding a fiscal year 2020 Net Pension liability of \$5,062,627. Overall, the pension expense for fiscal year 2020 increased by \$403,930 from the prior year. The District has budgeted \$3 Million to a CalPERS pension trust (CEPPT) for fiscal year 20/21 to help fund rising pension expenses. The net pension liability for the year ended June 30, 2020, is summarized below in Tables 3 and 4. For more information on the District's pension plan, see Note 5 to the Financial Statements.

TABLE 3 – SUMMARY OF PENSION LIABILITY

	For the Fiscal Year Ending June 30, 2020
Total Pension Liability	\$ 20,187,251
Fiduciary Net Position	15,124,624
Net Pension Liability (Asset)	5,062,627
Deferred (Outflows) of Resources	(1,183,447)
Deferred Inflows of Resources	376,376
Impact on Statement of Net Position	4,255,556
 Pension Expense FYE 2020	 \$ 1,071,359

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 4 – NET POSITIONS RELATED TO PENSIONS

For Reporting Period at Fiscal Year End	6/30/2020	6/30/2019	Change (\$)
Total Pension Liability	\$ 20,187,251	\$ 18,544,797	\$ 1,642,454
Fiduciary Net Position	15,124,624	13,899,289	1,225,335
Net Pension Liability (Asset)	\$ 5,062,627	\$ 4,645,508	\$ 417,119
<i>Deferred (Outflows) Inflows Due to:</i>			
Assumption Changes	(155,831)	(399,807)	243,976
Plan Experience	(324,376)	(117,587)	(206,789)
Investment Experience	88,510	(22,969)	111,479
Changes in Proportions	(7,375)	(34,167)	26,792
Differences between actual contributions and proportionate share of contributions	165,348	192,888	(27,540)
Deffered Contributions	(573,347)	(506,322)	(67,025)
Net Deferred (Outflows) Inflows	(807,071)	(887,964)	80,893
Impact on Statement of Net Position	\$ 4,255,556	\$ 3,757,544	\$ 498,012

Net Position related to OPEB

An Actuarial Valuation report required by GASB 75, Accounting and Financial Reporting for Post-employment Benefits other than Pensions (Other Post Employment Benefit Programs or OPEB) was completed by the District's Actuary, MacLeod Watts. The Total OPEB Liability increased from \$6,300,633 (measured June 30, 2019) to \$6,318,763 (measured June 30, 2020). Over the same time period, the Fiduciary Net Position increased from \$4,604,911 to \$4,958,199, yielding a fiscal year 2020 Net OPEB liability of \$1,360,564. Overall, the OPEB expense for fiscal year 2020 decreased by \$25,788 from the prior year. The District has participated in a CalPERS OPEB trust (CERBT) since 2008 to fund the total OPEB liability (including implicit subsidy) based on an expected long-term return of trust assets of 6.35% per year. The GASB 75 Statement reflects this direction. The net OPEB liability reported in the Statement of Net Position for the year ended June 30, 2020, is summarized below in Tables 5 and 6. For more information on the District's OPEB, see Note 7 to the Financial Statements.

TABLE 5 – SUMMARY OF OPEB LIABILITY

	For the Fiscal Year Ending June 30, 2020
Total OPEB Liability	\$ 6,318,763
Fiduciary Net Position	4,958,199
Net OPEB Liability (Asset)	1,360,564
Deferred (Outflows) of Resources	(825,886)
Deferred Inflows of Net Position	867,097
Impact on Statement of Net Position	\$ 1,401,775
OPEB Expense FYE 2020	\$ 232,063

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 6 – NET POSITION RELATED TO OPEB

For Reporting Period at Fiscal Year End	6/30/2020	6/30/2019	Change (\$)
Total OPEB Liability	\$ 6,318,763	\$ 6,300,633	\$ 18,130
Fiduciary Net Position	4,958,199	\$ 4,604,911	353,288
Net OPEB Liability (Asset)	\$ 1,360,564	\$ 1,695,722	\$ (335,158)
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	(481,943)	(565,919)	83,976
Plan Experience	771,124	583,333	187,791
Investment Experience	95,973	118,256	(22,283)
Deffered Contributions	(343,943)	(317,737)	(26,206)
Net Deferred (Outflows) Inflows	\$ 41,211	\$ (182,067)	\$ 223,278
Impact on Statement of Net Position	\$ 1,401,775	\$ 1,513,655	\$ (111,880)

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

REVENUES AND EXPENSES

As shown on Table 7, the total net position at year-end increased from \$143,929,873 to \$158,781,716 (\$14,851,843 or 9%). The increase in net position was tempered by the outbreak of COVID-19 and the resulting detrimental impact on development. The \$1 Million increase in revenue from monthly sewer charges is due primarily to the rate increase from \$34/EDU to \$36/EDU effective July 1, 2019, not from internal growth. Revenue from connection charges was only \$1.41 Million representing a decrease of 82% from the previous year. Permit fee and inspection revenue was correspondingly impacted by the decrease in growth. Collection and treatment expenses for FY 19/20 reflected a return to normal annual expenses as the District received a one-time carryover credit of approximately \$2.5 Million against treatment expenses in FY 18/19. Operating income of \$2.3 Million was, in fact, a reduction of 128% over the prior year. Record low interest rates coupled by investment market volatility due to COVID-19 reduced investment income (reported as interest income) Carryover growth from development projects already under construction reflected an increase of 28% (from \$7.07 To \$9.85 Million) over the prior year.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 7 – STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>FY 19/20</u>	<u>FY 18/19</u>	<u>\$Difference</u>	<u>% Change</u>
Operating Revenues				
Sewer Charges	\$ 15,383,211	\$ 14,336,548	\$ 1,046,663	7%
Connection Charges	1,415,952	2,574,427	\$ (1,158,475)	-82%
Permits, Fees & Inspections	253,247	533,932	\$ (280,685)	-111%
Total Operating Revenues	\$ 17,052,410	\$ 17,444,907	\$ (392,497)	-2%
Operating Expenses				
Collection & Treatment	\$ 8,326,375	\$ 5,462,230	\$ 2,864,145	34%
Administrative & General	2,126,601	1,889,641	\$ 236,960	11%
Technical Services	2,399,482	3,173,059	\$ (773,577)	-32%
Depreciation	1,889,287	1,658,424	\$ 230,863	12%
Total Operating Expenses	\$ 14,741,745	\$ 12,183,354	\$ 2,558,391	17%
Operating Income (Loss)	\$ 2,310,665	\$ 5,261,553	\$ (2,950,888)	-128%
Non-Operating Revenues (Expenses)				
Tax Revenue	\$ 1,083,897	\$ 993,704	\$ 90,193	8%
Gain (Loss) on Sale of Asset	-	13,707	\$ (13,707)	
Interest Income	1,602,378	1,832,865	\$ (230,487)	-14%
Interest Expense	-	(116,477)	\$ 116,477	
Total Non-Operating Revenues	\$ 2,686,275	\$ 2,723,799	\$ (37,524)	-1%
Transfers & Capital Contributions				
Capital Contributions	\$ 9,854,903	\$ 7,071,156	\$ 2,783,747	28%
Transfers In	5,968,828	6,359,937	\$ (391,109)	
Transfers Out	(5,968,828)	(6,359,937)	\$ 391,109	-7%
Total Transfers & Capital Contributions	\$ 9,854,903	\$ 7,071,156	\$ 2,783,747	28%
Change in Net Position	\$ 14,851,843	\$ 15,056,508	\$ (204,665)	-1%
Net Position, Beginning of Year	\$ 143,929,873	\$ 128,873,365	\$ 15,056,508	10%
Net Position, End of Year	\$ 158,781,716	\$ 143,929,873	\$ 14,851,843	9%

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

REVENUES

General Fund Revenues derived from customer service charges were up by 7.5% over last year. This increase is primarily from increases to the service charge rate, (rates were increased from \$34/month/EDU to \$36/month/EDU on July 1, 2019) but also from modest customer growth. General fund revenue derived from permits, plan check fees, and inspections decreased by 57.9% due to a decrease in development activity as a result of the COVID-19 outbreak. Local home resales drove an increase in revenue from the Districts' portion of the local property taxes by 9.1%. Record low interest rates coupled with investment market volatility due to COVID-19 reduced investment income (reported as interest income). Total General Fund Revenue used to fund ongoing operations, maintenance, and administrative functions of the District were increased over \$0.801 Million from the previous year.

Statewide Community Infrastructure Program (SCIP)

The District participates in the Statewide Community Infrastructure Program (SCIP), a financing program that enables developers to pay certain impact fees and finance public improvements through an acquisition agreement that qualifies under the 1913/1915 Act via tax-exempt bond issuance proceeds. The District works with developers to finance their sewer participation fees through the SCIP Program. The District does not collect connection fees from the developer but instead requests disbursements of the participation fees owed to the District through the SCIP program. SCIP program funds are required to be used exclusively to fund Capital Improvement Projects. Disbursements from the SCIP program can be collected by the District at any time after the agreement is entered into and are not dependent upon the number of actual connections made to the District's system.

In fiscal year 19/20 the District was actively participating in three SCIP agreements:

- Granite Terrace entered into December 20, 2018, with a balance of \$160,843.
- Oak Vista entered into May 16, 2019, with a balance of \$231,457.
- The Villages at Civic Center entered into September 26, 2019, with a balance of \$234,947.34.

Seventy-nine (79) EDUs with sewer participation fees of \$317,106 connected to the District's sewer system using the SCIP Program in FY 19/20; however, the District did not request any disbursements.

Table 8 reflects the Statement of Revenues from the Financial Statements. Interest Income for District investments is included within the balance of each investment instrument as noted under Note 2 of the Financial Statements.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 8 – REVENUES

	FY 19/20	FY 18/19	%
General Fund			Change
Sewer service charges revenues	\$ 15,230,344	\$ 14,161,388	7.5%
Late Fees	105,579	138,715	-23.9%
Low income (LIL) rate assistance	47,288	36,495	29.6%
Permits, plan check fees & inspections	224,844	533,932	-57.9%
Property taxes	1,083,897	993,704	9.1%
Miscellaneous Revenue	28,403	98,419	-71.1%
Interest income	320,408	379,393	-15.5%
Interest expense	-	(116,477)	-100.0%
Gain/loss of sale of fixed asset disposal	-	13,707	-100.0%
Total General Fund	\$ 17,040,763	\$ 16,239,276	4.9%
Capital Improvement Program Fund			
Sewer Participation Fees	\$ 1,415,952	\$ 2,574,427	-45.0%
Interest	641,155	791,667	-19.0%
Total CIP Fund	\$ 2,057,107	\$ 3,366,094	-38.9%
Capital Replacement Fund			
Interest Income	\$ 640,815	\$ 661,805	-3.2%
Total Capital Replacement Fund	\$ 640,815	\$ 661,805	-3.2%
Total Revenue	\$ 19,738,685	\$ 20,267,175	

Total SPMUD revenue reported for FY 19/20 showed a decrease of \$0.528 Million (2.6%) from the previous year, due primarily to a decrease in Sewer Participation Fees from slowed development activity and lower returns on investments (reported as interest). The loan repayment for Newcastle Sanitary District (NSD) Project-Related Service Charges (PRSC) is included in Sewer Service Charges and reported as \$202,047 for FY 19/20.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

INVESTMENTS

The District has a sizable investment portfolio that is guided by Policies 3120 *Investment of District Funds* and 3130 *District Reserve Policy*. In February 2016, the District adopted a strategy for the investment of District funds which was revised with Resolution 18-15 in June 2018. One of the ways the District managed its exposure to interest rate risk was by purchasing a combination of short and long-term investments and 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. Now, as Fixed Income Securities being held in the Long-Term Portfolio mature, rather than reinvesting into other Fixed Income Securities, the proceeds are distributed evenly among the Cal Trust Medium Term Holdings, the Local Agency Investing Fund, and the Placer County Treasury. During the year investments experienced both gains and losses, the following table shows the balance of investments over the past two years.

The overall balance of investments has increased by \$6,437,682 (11.4%) from last year. Table 9 indicates the balance of Investment funds as of June 30, 2019, and 2020.

TABLE 9 – INVESTMENTS

Investment	Balance 06/30/20	Balance 06/30/19
Wells Fargo Fixed Income Securities & Money Market Mutual Funds	\$ 14,315,195	\$ 22,744,009
Local Agency Investment Fund (LAIF)	10,830,926	4,215,969
Caltrust Investments	21,811,933	20,012,291
Placer County Treasury Investments	11,893,986	5,277,732
Unrestricted deposits in financial institutions	4,203,203	4,367,560
TOTAL	\$ 63,055,243	\$ 56,617,561

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

EXPENSES

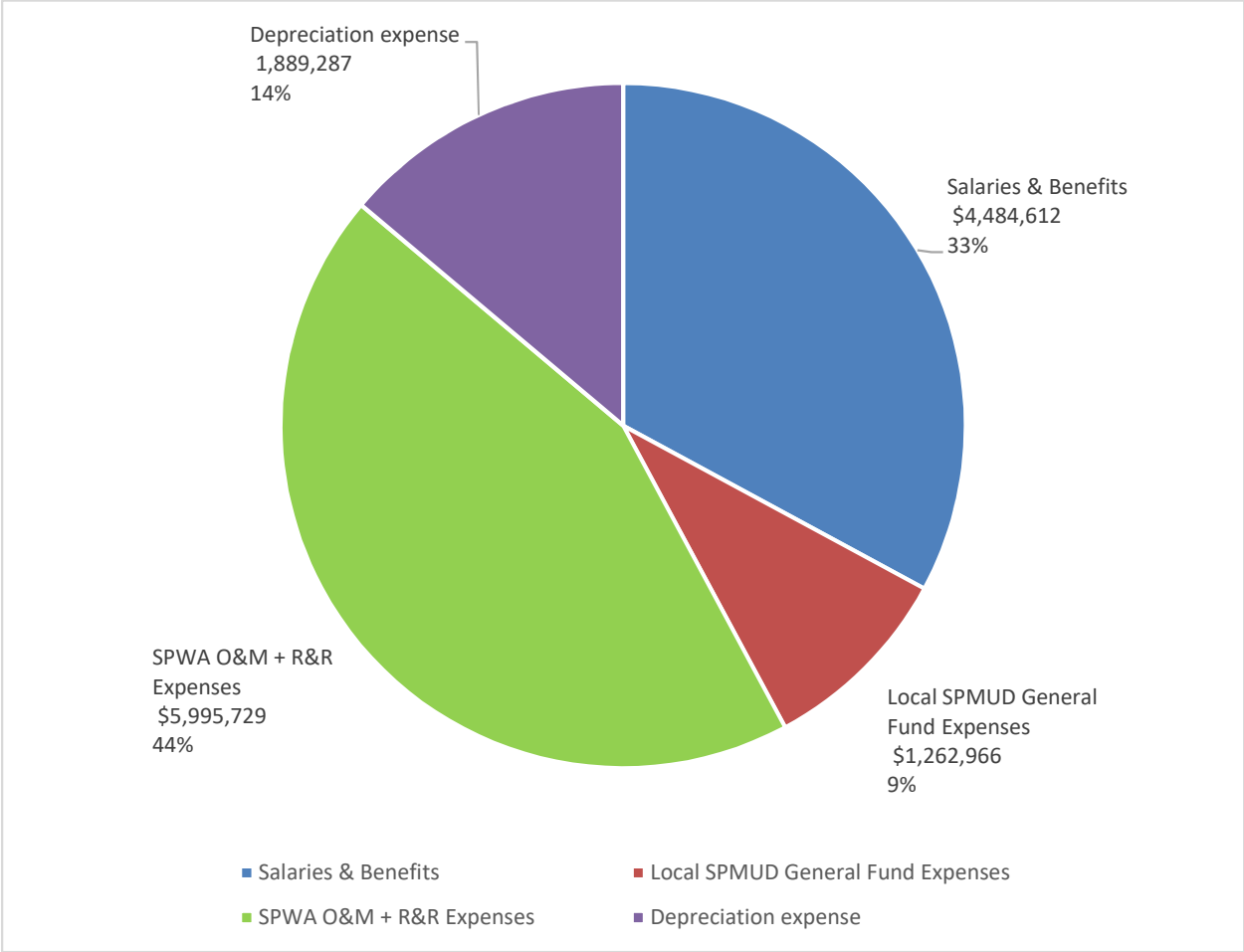
Total General Fund Expenses increased \$1,618,599 (13%) from \$12.01 Million to \$13.63 Million. This increase reflected a return to normal annual treatment expenses due to the District receiving a one-time carryover credit of about \$2.5 Million against treatment expenses in fiscal year 18/19. Table 9 and Chart 1 show the District's General Fund expenditures. General Fund Revenues of \$17.04 Million exceeded General Fund Expenses of \$13.63 Million.

TABLE 10 – GENERAL FUND EXPENDITURES

	FISCAL YR 19/20	FISCAL YR 18/19
Salaries/Wages	\$ 2,724,830	\$ 2,525,730
FICA - Social Security	202,806	189,153
CalPERS Retirement & UAL	585,325	655,878
Retirement 457 & 401a	86,803	87,560
Insurance Benefits	651,560	664,173
PERS OPEB	233,288	183,682
Sub Total Salaries & Benefits	\$ 4,484,612	\$ 4,306,176
Asphalt Paving	\$ 12,832	\$ 20,445
Building & Grounds Maintenance	32,548	73,448
Discount - LIL Rate Assistance	7,627	6,292
Gas & Oil Expenses	40,110	40,740
General Operating Supplies & Maintenance	156,299	170,780
Legal Services	56,309	79,296
Lift Station & Flow Recorder Programs	63,934	32,843
Other Operating Expenses	12,919	406
Professional Development	37,515	46,483
Professional Services	95,461	103,507
Property & Liability Insurance	159,130	122,017
Regulatory Compliance/Government Fees	54,117	44,892
Repair/Maintenance Agreements	76,913	89,719
Root Control Program	33,687	74,057
Safety Gear/Uniforms	25,193	20,177
Utilities	132,770	139,540
Utility Billing/Banking Expense/Printing	192,576	179,123
Vehicle Repair and Maintenance	73,026	79,777
Sub Total Local SPMUD General Fund Expenses	\$ 1,262,966	\$ 1,323,541
RWWTP Maintenance & Operations	\$ 5,205,004	\$ 2,567,917
RWWTP Rehab & Replacement	790,725	2,157,937
Sub Total SPWA O&M + R&R Expenses	\$ 5,995,729	\$ 4,725,854
Total Operations Expense before Depreciation	\$ 11,743,307	\$ 10,355,571
Depreciation expense	1,889,287	1,658,424
Total General Fund Expenses	\$ 13,632,594	\$ 12,013,995

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

CHART 1 – GENERAL FUND EXPENSES FY 19/20



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

CAPITAL EXPENDITURES

Capital Outlays are categorized into 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 \$7.62 Million in Capital Outlay during FY 19/20 but only expended \$1.54 Million. Among the projects budgeted but not installed are the District's participation in regional projects, expansion of the District headquarters building, the corporation yard perimeter fencing project, and a majority of the Foothill Trunk construction.

The District budgeted \$480,000 to participate with the City of Rocklin on sewer line replacement due to road widening projects that were subsequently delayed. The District completed the design of the perimeter security project and filed to get approval from the City of Rocklin. The project has been postponed until Spring 2021. Additionally, the annual cured in place pipework was delayed due to the coronavirus and the \$400,000 of work was not completed until August of 2020, and payment four of five budgeted for \$160,000 for the Rocklin 60 Phase III Reimbursement Agreement was not paid until FY 20/21.

SPMUD is currently working to install the Foothill Trunk in order to replace an existing sewer trunk line between El Don Drive and a perpendicular sewer line west of Aguilar Road (about 2,300 feet of trunk line would be replaced). The pipeline will provide the same service as the existing trunk line, except that it will accommodate more flow by having a larger diameter (24 inches instead of 12 inches). The increase in flow capacity is designed to accommodate existing and planned development in the service area.

After delays in construction due to the Loomis Diversion Trunk Sewer project and permitting delays by the US Army Corp of Engineers (USACE) who asserted justification of the project area. With the USACE who was joined by the California State Historical Preservation Office (SHPO) and the United Auburn Indian Council (UAIC) further delaying permitting on the project, the Foothill Trunk Sewer Replacement Project was finally awarded in January of 2020 and construction began in April of 2020 with an anticipated project completion of October 2020.

In fiscal year 19/20, the District received \$9.85 Million in sewer asset contributions from new development. This included almost 4.7 miles of gravity sewer pipe and 974 manholes/flushing branches. Summaries of the District's Capital Projects in FY 19/20 are included in Chart 2, and Tables 10 and 11.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

CHART 2 – CAPITAL FUND EXPENDITURES FY 19/20

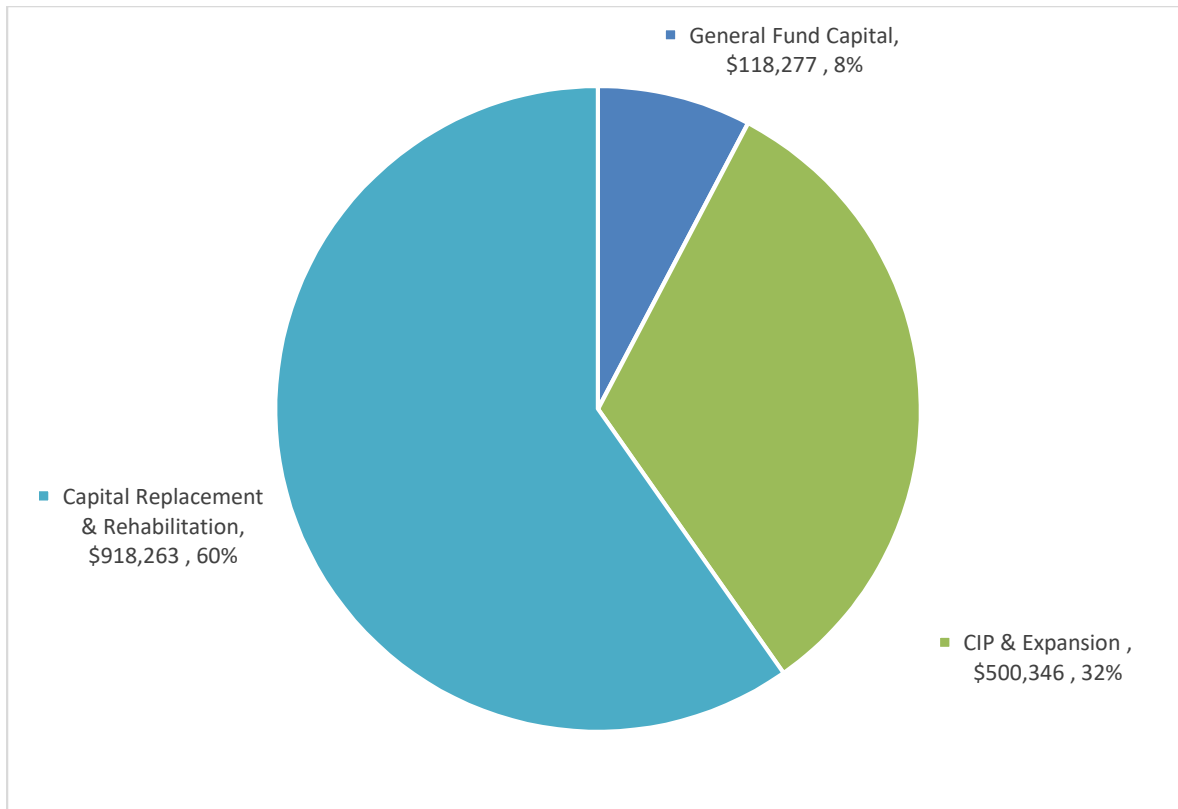


TABLE 11 – 5 YEAR CAPITAL INVESTMENT SUMMARY

	<u>FY 19/20</u>	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 16/17</u>	<u>FY 15/16</u>
Total General Fund Capital Improvements	\$ 118,277	\$ 162,301	\$ 873,500	\$ 445,500	\$ 75,910
Total CIP & Expansion	\$ 500,346	2,816,017	8,500,000	2,096,000	259,533
Total Replacement & Rehabilitation	\$ 918,263	714,504	2,623,500	1,494,000	159,558
Total Capital Investment	<u>\$ 1,536,886</u>	<u>\$ 3,692,822</u>	<u>\$ 11,997,000</u>	<u>\$ 4,035,500</u>	<u>\$ 495,001</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 12 – DETAIL OF CAPITAL EXPENDITURES FY 19/20

	<u>FUND 100</u>	<u>FUND 300</u>	<u>FUND 400</u>
	General Fund		Capital
Capital Improvements	Capital	CIP & Expansion	Replacement & Rehabilitation
Corp Yard Office Upgrades	58,180	-	-
Easement/Access Road Repl/Upgrades	23,324	-	3,203
Computers/Office Furniture	22,278	-	-
Archiving/Disaster Plan	\$ 7,200	\$ -	\$ -
Flow Monitoring Equipment	5,985	-	-
Software/Data Acquisition	897	-	-
Newcastle Master Plan Improvements	400	-	-
Easement Inspection Equipment	13	-	-
Foothill Trunk Project - Construction	-	472,673	516,514
Lower Loomis Diversion - Construction	-	27,673	-
Vehicle Purchases CCTV/Insp Vehicles	-	-	306,328
SCADA Design & Implementation	-	-	73,396
Vehicle/Equipment Upgrades/Repl	-	-	17,118
Lift Station Pump Replacement	-	-	1,693
Cured in Place Pipe	-	-	11
Total Capital Improvements	<u>\$ 118,277</u>	<u>\$ 500,346</u>	<u>\$ 918,263</u>

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

DEBT ADMINISTRATION

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

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; however, 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. Per the Report to South Placer Wastewater Authority Board of Directors dated June 9, 2020, *Rate Stabilization*

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Fund Balances as of April 30, 2020, the District maintained a balance of \$57,855,028 in the Rate Stabilization Account on deposit with the Authority. Per the same report, the annual SPWA Debt assigned to SPMUD was \$2,133,928. Without any changes, the District currently has approximately 27 years' worth of debt service on account with SPWA.

SPWA is proposing \$80 Million in Capital Improvements and Treatment Upgrades at the Pleasant Grove Wastewater Treatment Plant 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.

Newcastle Sanitary District Loan Repayment

On August 25, 2010, the South Placer Municipal Utility District (SPMUD) adopted Resolution 10-09, creating the Newcastle Special Benefit Area (NSBA), and levying a Sewer Benefit Area Project-Related Service Charge. The Newcastle Sanitary District (NSD) made a determination that it was in the best interest of the ratepayers of NSD and the general public in serving the sanitary sewer needs of the Newcastle area, providing superior sewer service and treatment, and maintaining compliance with applicable water quality control regulations, to decommission its wastewater treatment ponds and make improvements to its wastewater system so its service area could receive wastewater service through SPMUD.

SPMUD agreed to provide financing to NSD in an amount not to exceed \$6 Million dollars for the purpose of constructing improvements and carrying out certain projects to enable NSD to connect to the SPMUD collection system. The financing and construction of these improvements were determined by the SPMUD Board of Directors to be a condition of SPMUD's annexation of NSD and would have to be completed prior to NSD's dissolution.

The project work included:

- 1) Decommissioning and/or removing from service the existing NSD wastewater treatment pond(s), spray field(s), and other facilities.
- 2) Construction of new wastewater pump station(s), force main(s), manholes, gravity pipes, access roads, and connections to existing facilities.
- 3) Rehabilitation of the NSD wastewater system, and other facility or appurtenance(s) required to connect the NSD customers to the SPMUD wastewater system.
- 4) Acquisition of easements and rights-of-way, project administration and related services and costs and any connection charges and fees; and
- 5) Studies, reports, and designs related thereto.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

In order to facilitate repayment of the loan, NSD/SPMUD designated a Project Related Participation Fee (PRPF) payable by new connections within the NSBA made after the effective date of the NSBA. In addition, NSD/SPMUD designated a Project Related Service Charge (PRSC) as a special area service charge imposed on an EDU basis on the landowners/ customers in the NSBA area that are connected to the wastewater system for repayment to SPMUD of the Amount Repayable. The PRSC is a separate service charge, in addition to the normal monthly SPMUD service charge. Billing occurs quarterly on the regular SPMUD billing cycle. The PRSC is shown and included on the same bill as the normal SPMUD service charge bill. The collection and payment of the PRSC is subject to Division 6 of the Public Utilities Code of the State of California.

On September 5, 2013, SPMUD adopted Resolution 13-11, which amended Resolution 10-09, regarding the NSBA and establishing the Project Related Service Charge. SPMUD and NSD 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, in accordance with the NSBA. As a result, the PRSC was fixed at \$54.00 per EDU per month on the current and future lands in the NSBA that are now or will be connected to the NSBA wastewater system. The PRSC is used exclusively to repay the principal and interest on the Amount Repayable and is the sole and exclusive obligation of the NSBA landowners/customers connected to the NSBA wastewater system. Payment of the PRSC shall remain in effect until such time as the obligation for the Amount Repayable with interest has been satisfied. NSD adopted Resolution 2013-1 transferring all NSB property, real and personal, accounts and liabilities to SPMUD. On December 5, 2013, SPMUD adopted Resolution 13-14 accepting all the NSD property, liabilities, and accounts, thereby completing the annexation process.

The funds made available by SPMUD were originally sourced from SPMUD's Capital Improvement and Enlargement Fund, whose primary funding source is the Local Participation Fee and return on the investment of the balance of these Funds. In 2015, SPMUD's Capital Improvement and Enlargement Fund was designated as Fund 300 for accounting purposes. The use of Fund 300 is strictly regulated by the Mitigation Fee Act, Section 66000 of the State of California Government Code, and the District's Sewer Code.

Loans against Capital Improvement and Enlargement Fund 300 are allowed, provided the terms and conditions of the loan instrument stipulate that the primary balance and interest accrued are redeposited into the fund. In fiscal year 19/20 an inter-fund transfer of \$4,847,725, the outstanding balance of the loan repayment including interest, was made from the General Fund to the Capital Replacement Fund. The transfer eliminates the need for future annual transfers of the PRSC fee collected as a sewer service charge during quarterly billing for the NSD area.

As of June 30, 2020, the current balance of the SPMUD loan under the Financing Agreement applicable to the NSBA is \$4,766,674. It is anticipated that the loan will be paid in full by 2053 (see Note 10 of the Financial Statements).

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

ECONOMIC FACTORS AND FISCAL YEAR 19/20 BUDGET OVERVIEW

REVENUE

The outbreak of COVID-19 will continue to play havoc with anticipated District revenues. The economic forecast for growth within the District's service area boundaries appears favorable. There continues to be a backlog of development proposals due to COVID-19 which are under review and should allow the District to add an additional 300 EDUs during the next fiscal year. The Federal Government targeted its benchmark interest rate at a range of 1.5-1.75 percent, a move that resulted in a decrease in mortgage, credit card, auto loan, and small business loan rates. The District will be reviewing its investment policy to enhance revenue potential through diversification of the investment portfolio.

The monthly service rate increased to \$36 EDU on July 1, 2019 and did not change for fiscal year 20/21. The Local Participation Fee increased from \$4,014 to \$4,129/EDU on July 1, 2020. Connection Fee revenues are expected to be consistent with the addition of 300 EDUs.

EXPENSES

There was a steep drop in the consumer price index in April due to the Coronavirus that kept salary increases, energy costs, and gas prices down. Additionally, certain costs saving were realized from the cancellation of events, travel, and the inability to recruit and hire for vacant positions. However, these cost-savings were offset by additional expenses the District incurred from the Coronavirus which included staggered work schedules for field staff, increased purchasing of personal protective equipment (PPE), and single driver vehicles.

Despite the credit received in FY 18/19, the District anticipates that total charges from SPWA will continue to rise and will constitute over half of the expenses incurred by the District annually. Projected General Fund expenses are shown in Table 12. In addition, a breakdown of expenses by major category, Salary and Benefits, Local Expenses, total SPWA O&M and R&R, and Depreciation are shown in Chart 3.

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 of 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 36 approved personnel positions that include 5 elected, 2 contracted, 4 management, 2 supervisors, 1 part-time, and 22 full-time staff positions; there are currently 27 full-time employees. The current MOU's for employees and management were recently negotiated in FY 19/20, and cover the following fiscal years 20/21, 21/22, and 22/23, Cost of Living increases are tied to the Consumer Cost Index.

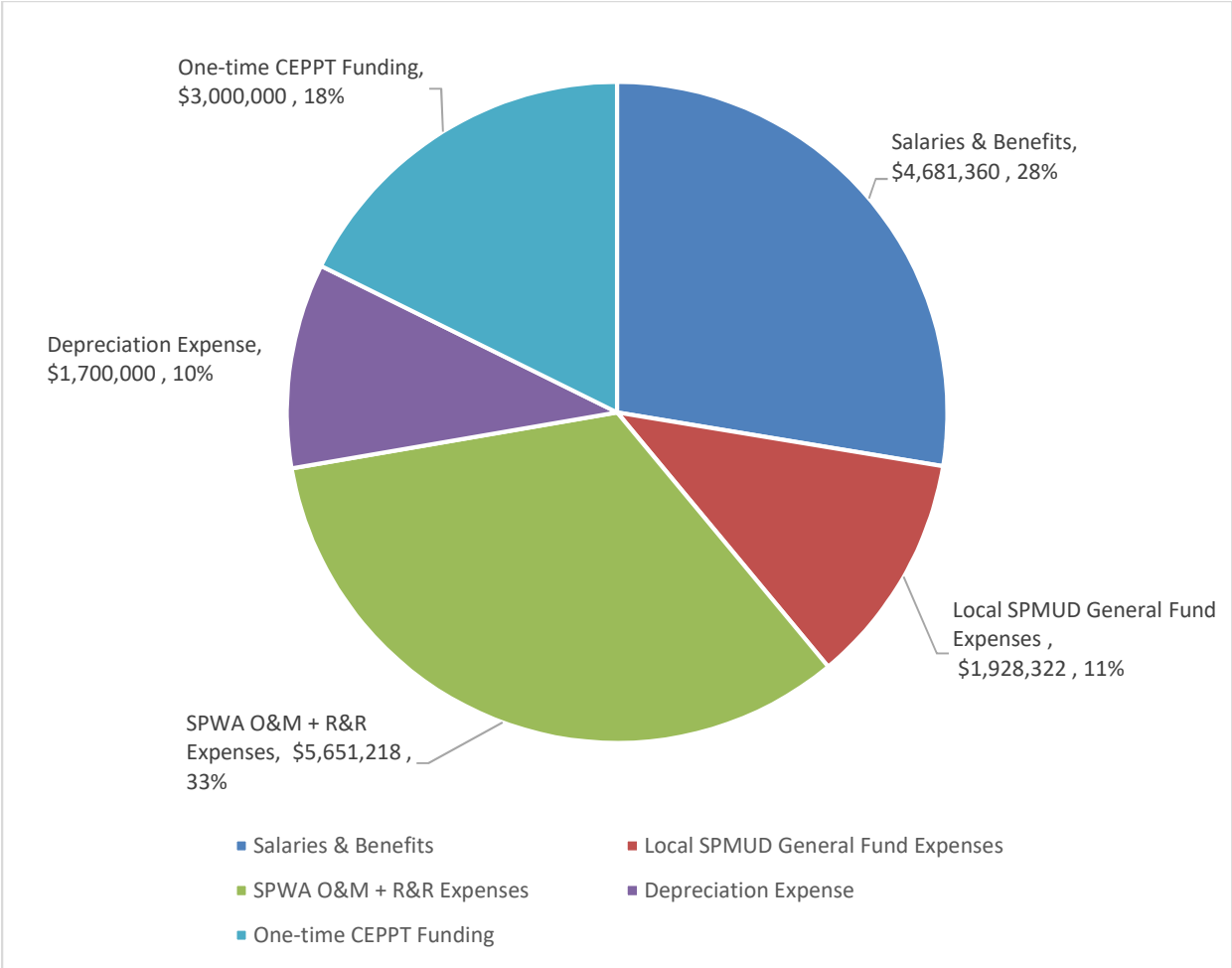
**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

TABLE 13 – FY 20/21 PROPOSED GENERAL FUND EXPENSES

GENERAL FUND EXPENDITURES	Audited for FY 19/20	Proposed for FY 20/21
Salaries/Wages	\$ 2,724,830	\$ 2,697,000
FICA - Social Security	202,806	207,000
CalPERS Retirement & UAL	585,325	634,360
457 & 401a Retirement	86,803	127,000
Insurance Benefits	651,560	740,000
Pers OPEB	233,288	276,000
Sub Total Salaries & Benefits	\$ 4,484,612	\$ 4,681,360
Asphalt Paving	\$ 12,832	\$ 25,000
Building & Grounds Maintenance	32,548	55,000
Discount - LIL Rate Assistance	7,627	-
Election Expenses	-	80,000
Gas & Oil Expenses	40,110	50,000
General Operating Supplies & Maintenance	156,299	180,000
Legal Services	56,309	100,000
Lift Station & Flow Recorder Programs	63,934	69,000
Other Operating Expenses	12,919	2,500
Professional Development	37,515	70,000
Professional Services	95,461	408,000
Property & Liability Insurance	159,130	225,572
Regulatory Compliance/Government Fees	54,117	58,000
Repair/Maintenance Agreements	76,913	115,800
Root Control Program	33,687	40,000
Safety Gear/Uniforms	25,193	28,450
Utilities	132,770	142,000
Utility Billing/Banking Expense/Printing	192,576	194,000
Vehicle Repair and Maintenance	73,026	85,000
Sub Total Local SPMUD General Fund Expens	\$ 1,262,966	\$ 1,928,322
RWWTP Maintenance & Operations	\$ 5,205,004	\$ 5,276,422
RWWTP Rehab & Replacement	790,725	374,796
Sub Total SPWA O&M + R&R Expenses	\$ 5,995,729	\$ 5,651,218
Total Operations Expense before Depreciation	\$ 11,743,306	\$ 12,260,900
Depreciation expense	1,889,287	1,700,000
One-time CEPPT Funding	-	3,000,000
Total General Fund Expenses	\$ 13,632,593	\$ 16,960,900

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

CHART 3 – PROPOSED GENERAL FUND EXPENSES FY 20/21



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

CAPITAL EXPENDITURES

The District anticipates increased capital facility construction in the coming years with the installation of the Foothill Trunk which is financed out of both the Capital Enlargement and Expansion Fund – 300, and the Capital Replacement and Rehabilitation Fund – 400. The District has sufficient funds available to construct these facilities on a pay-as-you-go basis and does not anticipate the need to secure debt to finance these upcoming projects. Details and summaries of the FY 20/21 Budget Review Capital Projects are shown in Table 14.

TABLE 14 – FY 20/21 CAPITAL IMPROVEMENT PROJECTS

		PROPOSED FOR FISCAL YR 20/21		
		FUND 100	FUND 300	FUND 400
		GENERAL FUND	CIP &	REHAB &
		CAPITAL	EXPANSION	REPLACEMENT
CAPITAL IMPROVEMENTS				
Archiving / Diaster Development Plan	\$ 10,000	\$ 10,000	\$ -	\$ -
Software / Data Acquisition	31,000	31,000	-	-
Computers/ Office Furniture	19,000	19,000	-	-
System Improvements	70,000	70,000	-	-
Lateral Camera	7,000	7,000	-	-
Pipe Trailer Improvements	19,000	9,000	-	10,000
Easement Inspection Equipment	11,700	11,700	-	-
Easement / Access Road Replacment / Upgrades	435,000	217,500	-	217,500
CY Master Plan Capital Improvments	2,500,000	2,500,000	-	-
Newcastle Master Plan Improvements	350,000	350,000	-	-
Participation in Regional Projects	480,000	30,000	-	450,000
Rocklin 60 Ph3 Reimbursement	160,000	-	160,000	-
Trunk Extension Reimbursement	400,000	-	400,000	-
Lower Loomis Diversion Sewer - Construction	10,000	-	10,000	-
Foothill Trunk Project - Construction	3,815,000	-	2,590,000	1,225,000
Board Room Audio / Visual Upgrades	15,000	-	-	15,000
HQ HVAC Repair / Replacement	15,000	-	-	15,000
SCADA Design & Implementation	1,000,000	-	-	1,000,000
Equipment Upgrades / Replacement	103,000	-	-	103,000
Vehicle Purchases	217,000	-	-	217,000
Emergency Bypass Pump Replacement	65,000	-	-	65,000
Cured in Place Pipe	800,000	-	-	800,000
Corp Yard Fence	242,000	-	-	242,000
Los Flores Mainline Replacement	300,000	-	-	300,000
TOTAL CAPITAL IMPROVEMENTS	\$ 11,074,700	\$ 3,255,200	\$ 3,160,000	\$ 4,659,500

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

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**



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents (Note 2)	\$ 4,203,203	\$ -	\$ -	\$ 4,203,203
Investments (Note 2)	10,443,566	26,787,560	21,620,914	58,852,040
Accounts receivable	3,961,561	-	-	3,961,561
Prepaid expenses	347,685	-	-	347,685
Total Current Assets	<u>18,956,015</u>	<u>26,787,560</u>	<u>21,620,914</u>	<u>67,364,489</u>
NON-CURRENT ASSETS				
Capital assets (net of accumulated depreciation) (Note 3)	<u>98,277,454</u>	-	-	<u>98,277,454</u>
Total Non-Current Assets	<u>98,277,454</u>	-	-	<u>98,277,454</u>
TOTAL ASSETS	<u>117,233,469</u>	<u>26,787,560</u>	<u>21,620,914</u>	<u>165,641,943</u>
DEFERRED OUTFLOWS OF RESOURCES				
Net pension liability (Note 5)	1,183,447	-	-	1,183,447
Net OPEB liability (Note 7)	825,886	-	-	825,886
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,009,333</u>	-	-	<u>2,009,333</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 119,242,802</u>	<u>\$ 26,787,560</u>	<u>\$ 21,620,914</u>	<u>\$ 167,651,276</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 851,764	\$ -	\$ -	\$ 851,764
Other accrued liabilities	125,512	-	-	125,512
Compensated absences	225,620	-	-	225,620
Total Current Liabilities	<u>1,202,896</u>	-	-	<u>1,202,896</u>
LONG TERM LIABILITIES				
Net pension liability (Note 5)	5,062,627	-	-	5,062,627
Net OPEB liability (Note 7)	1,360,564	-	-	1,360,564
Total Long-Term Liabilities	<u>6,423,191</u>	-	-	<u>6,423,191</u>
TOTAL LIABILITIES	<u>7,626,087</u>	-	-	<u>7,626,087</u>
DEFERRED INFLOW OF RESOURCES				
Net pension liability (Note 5)	376,376	-	-	376,376
Net OPEB liability (Note 7)	867,097	-	-	867,097
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,243,473</u>	-	-	<u>1,243,473</u>
NET POSITION				
Net investment in capital assets	98,277,454	-	-	98,277,454
Unrestricted	12,095,788	26,787,560	21,620,914	60,504,262
TOTAL NET POSITION	<u>110,373,242</u>	<u>26,787,560</u>	<u>21,620,914</u>	<u>158,781,716</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 119,242,802</u>	<u>\$ 26,787,560</u>	<u>\$ 21,620,914</u>	<u>\$ 167,651,276</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<u>OPERATING REVENUE</u>				
Sewer charges	\$ 15,383,211	\$ -	\$ -	\$ 15,383,211
Connection charges	-	1,415,952	-	1,415,952
Permits, fees, and inspections	<u>253,247</u>	<u>-</u>	<u>-</u>	<u>253,247</u>
Total Operating Revenues	<u>15,636,458</u>	<u>1,415,952</u>	<u>-</u>	<u>17,052,410</u>
<u>OPERATING EXPENSES</u>				
Collection and treatment	8,314,421	-	11,954	8,326,375
Administrative and general	2,126,601	-	-	2,126,601
Technical services	1,781,898	27,673	589,911	2,399,482
Depreciation	<u>1,889,287</u>	<u>-</u>	<u>-</u>	<u>1,889,287</u>
Total Operating Expenses	<u>14,112,207</u>	<u>27,673</u>	<u>601,865</u>	<u>14,741,745</u>
Operating income (loss)	<u>1,524,251</u>	<u>1,388,279</u>	<u>(601,865)</u>	<u>2,310,665</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>				
Tax revenue	1,083,897	-	-	1,083,897
Interest income	<u>320,408</u>	<u>641,155</u>	<u>640,815</u>	<u>1,602,378</u>
Total Nonoperating revenues	<u>1,404,305</u>	<u>641,155</u>	<u>640,815</u>	<u>2,686,275</u>
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Capital Contributions	9,854,903	-	-	9,854,903
Transfers in	-	4,310,404	1,658,424	5,968,828
Transfers out	<u>(5,712,270)</u>	<u>-</u>	<u>(256,558)</u>	<u>(5,968,828)</u>
Total Transfers and Capital Contributions	<u>4,142,633</u>	<u>4,310,404</u>	<u>1,401,866</u>	<u>9,854,903</u>
CHANGE IN NET POSITION	<u>7,071,189</u>	<u>6,339,838</u>	<u>1,440,816</u>	<u>14,851,843</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>103,302,053</u>	<u>20,447,722</u>	<u>20,180,098</u>	<u>143,929,873</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 110,373,242</u>	<u>\$ 26,787,560</u>	<u>\$ 21,620,914</u>	<u>\$ 158,781,716</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Replacement Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 15,606,638	\$ 1,415,952	\$ -	\$ 17,022,590
Payments to suppliers	(7,192,410)	(78,970)	(601,865)	(7,873,245)
Payments to employees	<u>(4,474,823)</u>	<u>-</u>	<u>-</u>	<u>(4,474,823)</u>
Net Cash Provided by (Used for) Operating Activities	<u>3,939,405</u>	<u>1,336,982</u>	<u>(601,865)</u>	<u>4,674,522</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Tax revenue	1,083,897	-	-	1,083,897
Net transfers to/from capital funds	<u>(5,712,270)</u>	<u>4,310,404</u>	<u>1,401,866</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(4,628,373)</u>	<u>4,310,404</u>	<u>1,401,866</u>	<u>1,083,897</u>
<u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u>				
Acquisition and construction of capital assets	<u>(923,114)</u>	<u>-</u>	<u>-</u>	<u>(923,114)</u>
Net Cash Provided by (Used for) Capital Related Financing Activities	<u>(923,114)</u>	<u>-</u>	<u>-</u>	<u>(923,114)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest income	320,408	762,152	640,815	1,723,375
Interest expense	-	(120,997)	-	(120,997)
Sale of Investments	1,127,317	-	-	1,127,317
Purchase of investments	<u>-</u>	<u>(6,288,541)</u>	<u>(1,440,816)</u>	<u>(7,729,357)</u>
Net Cash Provided by (Used for) Investing Activities	<u>1,447,725</u>	<u>(5,647,386)</u>	<u>(800,001)</u>	<u>(4,999,662)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(164,357)</u>	<u>-</u>	<u>-</u>	<u>(164,357)</u>
CASH AND CASH EQUIVALENTS - JULY 1, 2019	<u>4,367,560</u>	<u>-</u>	<u>-</u>	<u>4,367,560</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2020	<u>\$ 4,203,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,203,203</u>

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

	Operating Fund	Capital Improvement Fund	Capital Replacement Fund	Total
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>				
OPERATING INCOME (LOSS)	\$ 1,524,251	\$ 1,388,279	\$ (601,865)	\$ 2,310,665
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,889,287	-	-	1,889,287
Changes in assets and liabilities:				
Increase in deferred inflows	143,267	-	-	143,267
Decrease in deferred outflows	160,904	-	-	160,904
Increase in accounts receivable	(29,820)	-	-	(29,820)
Increase in prepaid expenses	(66,501)	-	-	(66,501)
Increase in other accrued liabilities	10,939	-	-	10,939
Increase (Decrease) in accounts payable	226,267	(51,297)	-	174,970
Decrease in compensated absences	(1,150)	-	-	(1,150)
Increase in net pension liability	417,119	-	-	417,119
Decrease in net OPEB liability	(335,158)	-	-	(335,158)
Total adjustments	2,415,154	(51,297)	-	2,363,857
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 3,939,405	\$ 1,336,982	\$ (601,865)	\$ 4,674,522
<u>NON-CASH CAPITAL ACTIVITIES</u>				
Non-cash capital contributions	\$ 9,854,903	\$ -	\$ -	\$ 9,854,903

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Placer Municipal Utility District (the "District" or "SPMUD") 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 District maintains three major funds to run their operations:

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

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

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Reporting

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

Cash and Cash Equivalents

For the purpose of 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 or with original maturities of three months or less from the date of acquisition. This includes deposits in financial institutions, cash with Placer County, and deposits with the State of California Local Agency Investment Fund (LAIF).

Fair Value Inputs, Methodologies and Hierarchy

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

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

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

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

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

Receivables and Payables

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

Prepaid Expenses

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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

Capital Contributions

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

Risk Management

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

Net Position

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

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. The liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accounts. 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.

Connection Charges

Connection charges are recognized in the fiscal year a customer applies for connection to the sewer system and pays the required fees. Fee revenues in the year ended June 30, 2020 are presented net of cash discounts applied through the Statewide Community Infrastructure Program (SCIP) of \$317,106.

Pensions

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

Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Deferred Outflows/Inflows of Resources

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

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Participation Agreements

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

Use of Estimates

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

Subsequent Events

In July and October of 2020, the District applied and was approved for reimbursement of fees in the amount of \$231,547 and \$395,790, respectively, in connection to SCIP. The use of these funds is restricted for planned expenditure of public capital improvements as a condition upon approval for reimbursement.

Subsequent events have been evaluated through November 6, 2020, which is the date the financial statements were issued.

Implementation of Government Accounting Standards Board Statements

Effective July 1, 2019, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. Application of this statement has had no material impact on District's financial statements for the fiscal year ending June 30, 2020.

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2020 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the District's fiscal year ending June 30, 2022. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

Government Accounting Standards Board Statement No. 89

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

Government Accounting Standards Board Statement No. 90

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

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The purpose of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2021.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 2: CASH AND INVESTMENTS

The components of the District's cash and cash equivalents and investments at June 30, 2020 are as follows:

	June 30, 2020
<u>Cash and cash equivalents:</u>	
Unrestricted deposits in financial institutions	\$ <u>4,203,203</u>
Total cash and cash equivalents	<u>4,203,203</u>
<u>Investments:</u>	
Fixed income securities	9,853,833
Money market mutual funds	4,461,361
CalTRUST Investment Fund	21,811,933
Placer County Treasury's Investment Pool	11,893,987
Local Agency Investment Fund (LAIF)	<u>10,830,926</u>
Total investments	<u>58,852,040</u>
Total cash and investments	\$ <u>63,055,243</u>

Authorized Investments of the District

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

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
Local Agency Investment Fund (LAIF)	N/A	75%	No Limit
Placer County Treasurer's Investment Pool	N/A	75%	No Limit
Investment Trust of CA (CalTRUST)	N/A	75%	No Limit
Bank Savings Account	N/A	75%	No Limit
Federal Agencies	5 years	25%	No Limit
Commercial Paper	180 days	15%	No Limit
Negotiable Certificates of Deposits	180	20%	No Limit
Repurchase Agreements	180 Days	20%	No Limit
U.S. Treasury Obligations	5 years	No Limit	No Limit
Any other allowed investments under CGC 53601	Limited	20%	No Limit

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 2: CASH AND INVESTMENTS (continued)

Disclosure Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) 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, 2020:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Fixed income securities	\$ 8,330,333	\$ 1,523,500	\$ 9,853,833
Money market mutual funds	4,461,361	-	4,461,361
Local Agency Investment Fund (LAIF)	10,830,926	-	10,830,926
CalTRUST Investment Fund	21,811,933	-	21,811,933
Placer County Treasury's Investment Pool	<u>11,893,987</u>	<u>-</u>	<u>11,893,987</u>
	<u>\$ 57,328,540</u>	<u>\$ 1,523,500</u>	<u>\$ 58,852,040</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 FISCAL YEAR ENDED
JUNE 30, 2020**

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 (LAIF)	\$ 10,830,926			Not rated
Placer County Treasury's Investment Pool	11,893,987			Not rated
CalTRUST Investment Fund	21,811,933			Not rated
Fixed income securities	9,853,833	AAAm		
Money market mutual funds	<u>4,461,361</u>	AAAm		
	<u>\$ 58,852,040</u>			

Concentration of Credit Risk

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

Investment in State Investment Pool and Other Investments

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

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

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

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio under its control.

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

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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ -	\$ 9,853,833	\$ -	\$ 9,853,833
Money market mutual funds	<u>4,461,361</u>	<u>-</u>	<u>-</u>	<u>4,461,361</u>
Total assets at fair value	<u>\$ 4,461,361</u>	<u>\$ 9,853,833</u>	<u>\$ -</u>	<u>\$ 14,315,194</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Capital assets not being depreciated					
Land	\$ 1,174,184	\$ -	\$ -	\$ -	\$ 1,174,184
Construction in Progress	<u>504,302</u>	<u>574,177</u>	<u>-</u>	<u>-</u>	<u>1,078,479</u>
Total capital assets not depreciated	<u>1,678,486</u>	<u>574,177</u>	<u>-</u>	<u>-</u>	<u>2,252,663</u>
Capital assets being depreciated					
Buildings	3,246,030	32,538	-	-	3,278,568
Sewer System	103,600,854	9,854,903	-	-	113,455,757
Equipment	1,621,804	17,118	-	-	1,638,922
Office Furniture	269,383	-	-	-	269,383
Vehicles	<u>2,189,802</u>	<u>299,281</u>	<u>-</u>	<u>-</u>	<u>2,489,083</u>
Total capital assets being depreciated	<u>110,927,873</u>	<u>10,203,840</u>	<u>-</u>	<u>-</u>	<u>121,131,713</u>
Less: accumulated depreciation					
Buildings	(2,028,349)	(121,242)	-	-	(2,149,591)
Sewer System	(19,163,600)	(1,440,667)	-	-	(20,604,267)
Equipment	(972,073)	(118,154)	-	-	(1,090,227)
Office Furniture	(213,663)	(12,950)	-	-	(226,613)
Vehicles	<u>(839,950)</u>	<u>(196,274)</u>	<u>-</u>	<u>-</u>	<u>(1,036,224)</u>
Total accumulated depreciation	<u>(23,217,635)</u>	<u>(1,889,287)</u>	<u>-</u>	<u>-</u>	<u>(25,106,922)</u>
Capital Assets, net	<u>\$ 89,388,724</u>	<u>\$ 8,888,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,277,454</u>

Depreciation expense for the year ended June 30, 2020 totaled \$1,889,287.

NOTE 4: INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2020 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
Operating Fund	Capital Improvement Fund	Transfer to Investments and NSD Transfer (Note 10)	\$ 4,053,846
Capital Replacement Fund	Capital Improvement Fund	Capital Asset Purchase	256,558
Operating Fund	Capital Replacement Fund	Depreciation Reserve	<u>1,658,424</u>
		Total Interfund Transfers	<u>\$ 5,968,828</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 5: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Active plan members in the 2.7% @ 55 Tier I plan are required to contribute 8% of all earnings in excess of \$133.33 per month. As a benefit to the District employees, the District contributed the employee required contribution. For those employees hired on or after April 20th, 2012 the District had implemented a 2% @ 55 Tier II plan which reduced the amount of employee contribution paid by the District to 7%. Effective July 1st, 2017 all employees pay the CalPERS employee share. The district is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. For new employees hired after January 1, 2013 the District benefit formula changed to a 2% @ 62 Tier III where the employee contributes the full employee contribution of 6.25% of all earnings in excess of \$133.33 per month. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire date	Prior to April 20, 2012	April 20, 2012 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	2.0%
Required employee contribution rates	8.000%	7.000	6.250%
Required employer contribution rates	37.241%	8.971%	6.916%

* 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 FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s contributions to the Plan for the year ended June 30, 2020 were \$573,347.

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

As of June 30, 2020, the District reported a net pension liability of \$5,062,627 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, 2019, 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, 2018. 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, 2018 and 2019 measurement dates was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.1233%
Proportion - June 30, 2019	0.1264%
Change - Increase (Decrease)	0.0032%

For the year ended June 30, 2020, the District recognized pension expense of \$1,083,337. At June 30, 2020 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	\$ 573,347	\$ -
Net difference between projected and actual earnings on plan investments	-	88,510
Changes in assumptions	241,409	85,578
Differences between expected and actual experience	351,621	27,245
Adjustment due to differences in proportions	17,070	9,695
Difference between actual contributions made by the employer and the employer’s proportionate share of the risk pool’s total contribution	-	165,348
Total	\$ 1,183,447	\$ 376,376

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

\$573,347 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,		
2021	\$	286,770
2022	\$	(92,381)
2023	\$	21,449
2024	\$	17,886

C. Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.25% net of pension plan investment and administrative 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 15 years of mortality improvements using 90% of Scale MP 2016 published by the Society of Actuaries. For more on this table, please refer to the 2016 Experience Study Report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

D. Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

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

1% Decrease	6.15%
Net Pension Liability	\$7,777,874
Current Discount Rate	7.15%
Net Pension Liability	\$5,062,627
1% Increase	8.15%
Net Pension Liability	\$2,821,383

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 FISCAL YEAR ENDED
JUNE 30, 2020**

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 plan, 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 \$86,803.

NOTE 7: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Description of the Plan

South Placer Public Utility District's Post-Retirement Healthcare Plan is a single-employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits and life insurance benefits to eligible retirees and their eligible dependents. The District approved post retirement health insurance benefits for all of its employees effective July 1, 2007 under the Public Employees' Medical and Hospital Care Act (PEMHCA). Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of employment with the District. For an employee retiring with 5 or more years of service with SPMUD, the District will contribute the health benefit cost for the retiree and family members up to 100% of the greater of the CalPERS family rate for Kaiser. A retiree with less than 5 complete years of service with the District receives no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the District's active employees, however monthly rates for coverage of covered active and retired employees are computed separately. As of June 30, 2020, 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).

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	27
Inactive employees currently receiving benefits	17
Inactive employees entitled to, but not yet receiving benefits	<u>2</u>
Total	<u><u>46</u></u>

Contributions

The District's policy is to fully fund the actuarially determined contribution. The District makes the contributions on behalf of the participants. For the fiscal year ended June 30, 2020, the District contributed \$343,943.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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

Net OPEB Liability

The District's net OPEB liability ("NOL") was measured as of July 01, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Funding Method	Entry Age Normal Cost, level percent pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.40% as of June 30, 2019
Discount Rates	6.40% as of June 30, 2019
Participates Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Assumed Wage Inflation	3.00% per annum
Salary Increases	3.00% per annum
General Inflation Rate	2.50% per annum
Mortality Improvement	MacLeod Watts Scale 2018 applied generationally
Healthcare Trend Rate	7.50% per annum

Changes in Assumptions

For the measurement period ending June 30, 2019, the discount rate and long-term return on assets increased from 6.35% to 6.40% based on updated information from CalPERS regarding the assumed rate of return for CERBT Strategy 1 and the District's projected benefit cash flows.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.40% based on an assumption that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Expected Long-term Return on Trust Assets

The expected long-term rate on trust assets was derived from published information by CalPERS. CalPERS expectations are summarized in the chart below:

CERBT Strategy 1	Target Allocation	Years 1-10			Years 11+		
		General Inflation Rate Assumption	1-10 Year Expected Rate of Return*	Compound Return Yrs 1-10	General Inflation Rate Assumption	11+ Year Expected Real Rate of Return*	Compound Return Years 11+
Global Equity	40 %	2.00 %	4.80 %	6.80 %	2.92 %	5.98 %	8.90 %
Fixed Income	43 %	2.00 %	1.10 %	3.10 %	2.92 %	2.62 %	5.54 %
Global Real Estate (REITs)	8 %	2.00 %	3.20 %	5.50 %	2.92 %	5.00 %	7.92 %
Treasury Inflation Protected Securities (TIPS)	5 %	2.00 %	0.25 %	2.25 %	2.92 %	1.46 %	4.38 %
Commodities	4 %	2.00 %	1.50 %	3.50 %	2.92 %	2.87 %	5.79 %
Volatility	9.24 %	weighted		5.22 %	weighted		7.49 %

* Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.0%

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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

Changes in the OPEB Liability

To determine the June 30, 2019 (measurement period) net OPEB liability, the District used a roll-forward technique for the total OPEB liability. The fiduciary net position is based on the actual June 30, 2019 fiduciary net position. The following table shows the results of the rollforward.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018	\$ 6,300,633	\$ 4,604,911	\$ 1,695,722
Service cost	223,373	-	223,373
Interest cost	405,567	-	405,567
Expected investment income	-	293,761	(293,761)
Employer contributions	-	317,737	(317,737)
Administrative expenses	-	(996)	996
Benefit payments	(274,244)	(274,244)	-
Assumption changes	49,712	-	49,712
Plan Experience	(386,278)	-	(386,278)
Investment experience	-	17,030	(17,030)
Net change during 2018-19	<u>18,130</u>	<u>353,288</u>	<u>(335,158)</u>
Balance at June 30, 2019	<u>\$ 6,318,763</u>	<u>\$ 4,958,199</u>	<u>\$ 1,360,564</u>

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

The following represents the Net OPEB Liability of the District if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (5.40%)	Current Discount Rate (6.40%)	1% Increase (7.40%)
Net OPEB Liability	\$ <u>2,241,177</u>	\$ <u>1,360,564</u>	\$ <u>640,949</u>

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

The following represents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	\$ <u>569,985</u>	\$ <u>1,360,564</u>	\$ <u>2,343,160</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

Net difference between projected and actual earnings on OPEB plan investments 5 year straight-line recognition

All other amounts Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service year.

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$121,408. As of fiscal year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 343,943	\$ -
Changes of assumptions	481,943	-
Net difference between projected and actual earnings on OPEB plan investments	-	95,973
Differences between expected and actual experience	<u>-</u>	<u>771,124</u>
Total	<u>\$ 825,886</u>	<u>\$ 867,097</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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

\$343,943 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2021	\$ (104,112)
2022	\$ (104,112)
2023	\$ (78,740)
2024	\$ (15,246)
2025	\$ (44,224)
Thereafter	\$ (38,720)

NOTE 8: JOINT POWERS AGREEMENT

On October 1, 2000, the South Placer Wastewater Authority (the "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, 2020 was \$3,503,775. The financial statements for the South Placer Wastewater Authority are available online at https://www.roseville.ca.us/government/departments/finance/general_accounting_department/south_placer_wastewater_authority.

The District is responsible for its share of maintenance and operation expenses incurred at the Regional Treatment plants based on the volume of flow from District lines as a percentage of total volume of flow into the plants. The total amount calculated for South Placer Municipal Utility District during the fiscal year ended June 30, 2020 for maintenance and operation expenses was \$5,205,004 and an additional \$790,725 for the District's share of rehab project costs.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

NOTE 9: COMMITMENTS AND CONTINGENCIES

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

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance. The District's insurance carrier also covers defense costs that are not recovered from the opposing side upon successful resolution.

At June 30, 2020, the District had commitments with respect to various engineering services and construction projects.

Over the years, a number of agreements have been entered into by the District and local developers for installation of wastewater servicing facilities to the developer's projects. The developers constructed and installed the wastewater facilities at their own expense and thereafter dedicated said facilities to the District for public use. In return the Developers will receive partial reimbursement from construction fees actually collected on the properties within the project area, through the Agreement period. No contingent liability to the District is incurred for the uncollected portion of the agreed maximum amount.

<u>Project Name</u>	<u>Max Reimbursement</u>	<u>EDUs Benefited</u>
Croftwood Offsite Sewer (Sierra College)	\$ 186,010	1,958
Sierra College Lift Station	\$ 1,094,218	612
Yankee Hill Estates (Middle Antelope Creek)	\$ 217,375	925
Rocklin 60 - Phase I	\$ 68,255	999
Rocklin 60 - Phase II	\$ 139,621	999
Granite Bluff	\$ 36,856	40
Massie Trust - 3264 Taylor Road	\$ 185,614	80
The Lands of Perona	\$ 25,470	5

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as investments, net pension liability, and net OPEB obligation to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2020. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the District.

NOTE 10: FUTURE REVENUES FROM FORMER NEWCASTLE SANITARY DISTRICT CUSTOMERS

In August 2010 as part of an agreement with Newcastle Sanitary District (NSD) the District loaned NSD \$5,237,307 to make improvements to NSD's wastewater system so its service area could receive wastewater service through the District. In order to facilitate repayment of the loan NSD charged a Project Related Participation Fee (PRPF) for new connections and a Project Related Service Charge (PRSC) to existing customers within NSD's service area. On September 5, 2013 the District and NSD entered into agreements relating to the annexation of the NSD service area to the District. Since NSD no longer exists as a separate legal entity, the receivable was removed from the District's Statement of Net Position. However, the PRSC will still be collected from former NSD customers until the outstanding balance of the loan is paid off. The net present value of the amount of future revenues to be collected totaled \$4,766,674 as of June 30, 2020.

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, 2020
LAST 10 YEARS***

	Measurement Period				
	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.12642 %	0.12327 %	0.11996 %	0.11759 %	0.11300 %
Proportionate share of the net pension liability	\$ 5,062,627	\$ 4,645,508	\$ 4,728,860	\$ 4,084,964	\$ 2,403,545
Covered payroll	\$ 2,354,398	\$ 2,217,714	\$ 1,897,932	\$ 1,772,689	\$ 1,582,401
Proportionate share of the net pension liability as a percentage of covered payroll	215.03 %	209.47 %	249.16 %	230.44 %	151.89 %
Plan fiduciary net position as a percentage of the total pension liability	74.92 %	73.31 %	73.31 %	74.06 %	78.40 %

Notes to Schedule:

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

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

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

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2020
LAST 10 YEARS***

	Fiscal Year-End				
	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 573,347	\$ 506,322	\$ 424,946	\$ 369,153	\$ 164,024
Contributions in relation to the actuarially determined contributions	<u>(573,347)</u>	<u>(506,322)</u>	<u>(424,946)</u>	<u>(369,153)</u>	<u>(164,024)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	2,473,520	2,354,398	2,217,714	1,897,932	1,772,689
Contributions as a percentage of covered employee payroll	23.18 %	21.51 %	19.16 %	19.45 %	9.25 %

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 223,373	\$ 199,744	\$ 167,083
Interest	405,567	388,531	424,380
Difference between expected and actual experience	(386,278)	-	(866,361)
Changes in assumptions	49,712	276,413	497,052
Benefit payments	<u>(274,244)</u>	<u>(274,870)</u>	<u>(347,294)</u>
Net change in total OPEB liability	18,130	589,818	(125,140)
Total OPEB liability, beginning	<u>6,300,633</u>	<u>5,710,815</u>	<u>5,835,955</u>
Total OPEB liability, ending (a)	<u>\$ 6,318,763</u>	<u>\$ 6,300,633</u>	<u>\$ 5,710,815</u>
Plan fiduciary net position			
Contributions - employer	\$ 317,737	\$ 274,870	\$ 347,294
Net investment income	310,791	339,972	408,278
Benefit payments	(274,244)	(274,870)	(347,294)
Administrative expenses	(996)	(2,277)	(2,072)
Other expenses	<u>-</u>	<u>(5,651)</u>	<u>-</u>
Net change in plan fiduciary net position	353,288	332,044	406,206
Plan fiduciary net position, beginning	<u>4,604,911</u>	<u>4,272,867</u>	<u>3,866,661</u>
Plan fiduciary net position, ending (b)	<u>\$ 4,958,199</u>	<u>\$ 4,604,911</u>	<u>\$ 4,272,867</u>
District's net OPEB liability, ending (a) - (b)	<u>\$ 1,360,564</u>	<u>\$ 1,695,722</u>	<u>\$ 1,437,948</u>
Plan fiduciary net position as a percentage of the total OPEB liability	78.47 %	73.09 %	74.82 %
Covered-employee payroll**	<u>\$ 2,354,398</u>	<u>\$ 2,217,714</u>	<u>\$ 2,217,714</u>
District's net OPEB liability as a percentage of covered-employee payroll	57.79 %	76.46 %	64.84 %

Notes to Schedule:

Changes of assumptions: For the measurement period June 30, 2019, the discount rate and long-term return on assets increased from 6.35% to 6.40% based on updated information from CalPERS regarding the assumed rate of return for CERT Strategy 1 and the District's projected benefit cashflows. In 2018, the discount rate and long-term return on assets decreased from 6.73% to 6.35%.

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

** Contributions are not based on measure of pay.

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

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
For the Fiscal Year Ended June 30
Last 10 Years***

	<u>2020</u>	<u>2019</u>	<u>2018**</u>
Actuarially Determined Contribution (ADC)	\$ 312,164	\$ 301,216	\$ 292,275
Contributions in relation to the ADC	<u>(343,943)</u>	<u>(317,737)</u>	<u>(274,870)</u>
Contribution deficiency (excess)	<u>\$ (31,779)</u>	<u>\$ (16,521)</u>	<u>\$ 17,405</u>
Covered-employee payroll***	<u>\$ 2,473,520</u>	<u>\$ 2,354,398</u>	<u>\$ 2,217,714</u>
Contributions as a percentage of covered-employee payroll	13.91%	13.50%	12.39%

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

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

*** Contributions are not based on measure of pay.

Supplementary Information

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
SCHEDULE OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Administrative and General</u>	<u>Collection and Treatment</u>	<u>Technical Services</u>	<u>Total</u>
OPERATING EXPENSES				
Salaries and Benefits	\$ 1,050,793	\$ 2,160,210	\$ 853,294	\$ 4,064,297
CalPERS UAL	516,502	271,455	18,490	806,447
Insurance	159,130	-	-	159,130
Professional Services	55,357	5,477	41,827	102,661
Vehicle Expenses	-	120,183	-	120,183
Professional Development	9,186	11,974	12,099	33,259
Legal	56,309	-	-	56,309
Utility Billing / Banking Expenses	183,147	-	-	183,147
Operating Supplies	96,177	159,530	64,232	319,939
Capital Expenses	-	190,417	617,597	808,014
Uniform Expenses	-	23,975	1,218	25,193
Buildings / Utilities	-	178,150	-	178,150
RWWTP Expenses	-	<u>5,205,004</u>	<u>790,725</u>	<u>5,995,729</u>
EXPENSES BEFORE DEPRECIATION	<u>\$ 2,126,601</u>	<u>\$ 8,326,375</u>	<u>\$ 2,399,482</u>	<u>12,852,458</u>
Depreciation				<u>1,889,287</u>
TOTAL OPERATING EXPENSES				<u>\$ 14,741,745</u>

STATISTICAL SECTION

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

STATISTICAL SECTION

For the Fiscal Year Ending June 30, 2020 (FY 19/20)

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

CONTENTS

FINANCIAL TRENDS DATA

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

- Table S1 Changes in Net Position
- Table S2 Net Position by Component
- Table S3 EDU Connections by Fiscal Year

REVENUE CAPACITY DATA

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

- Table S4 Delinquent Accounts - Total Sewer Service Charges
- Table S5 Monthly Sewer Rates / Participation Fees & Rate Comparison

DEMOGRAPHIC & ECONOMIC INFORMATION

These schedules contain demographic information for Placer County

- Table S6 Ten Largest District Customers
- Table S7 County Demographics and Economic Statistics
- Table S8 Placer County Largest Employers
- Table S9 Top Ten Taxpayers in Placer County

OPERATING INFORMATION

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

- Table S10 Five Year Capital Spending



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

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

**TABLE S1 – CHANGES IN NET POSITION
(Last 10 Years)**

	<u>FY 19/20</u>	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 16/17</u>	<u>FY 15/16</u>
Operating Revenues					
Sewer Charges	\$ 15,383,211	\$ 14,336,548	\$ 12,694,346	\$ 11,196,600	\$ 10,911,091
Connection Charges	1,415,952	2,574,427	2,520,400	4,700,227	1,443,773
Permits, Fees & Inspections	253,247	533,932	338,446	475,524	443,885
Total Operating Revenues	<u>\$ 17,052,410</u>	<u>\$ 17,444,907</u>	<u>\$ 15,553,192</u>	<u>\$ 16,372,351</u>	<u>\$ 12,798,749</u>
Operating Expenses					
Collection & Treatment	\$ 8,326,375	\$ 5,462,230	\$ 7,406,709	\$ 6,756,711	\$ 6,476,122
Administrative & General	2,126,601	1,889,641	1,745,033	2,226,083	1,269,273
Technical Services	2,399,482	3,173,959	3,237,207	2,443,940	2,106,383
Depreciation	1,889,287	1,658,424	1,423,548	1,343,872	1,381,819
Total Operating Expenses	<u>\$ 14,741,745</u>	<u>\$ 12,183,354</u>	<u>\$ 13,812,497</u>	<u>\$ 12,770,606</u>	<u>\$ 11,233,597</u>
Operating Income (Loss)	<u>\$ 2,310,665</u>	<u>\$ 5,261,553</u>	<u>\$ 1,740,695</u>	<u>\$ 3,601,745</u>	<u>\$ 1,565,152</u>
Non-Operating Revenues (Expenses)					
Tax Revenue	\$ 1,083,897	\$ 993,704	\$ 929,449	\$ 874,218	\$ 790,587
Gain (Loss) on Sale of Asset		13,707	63,498	(27,186)	-
Interest Income	1,602,378	1,832,865	321,933	193,023	825,604
Interest Expense		(116,477)	(119,120)	(120,912)	(122,564)
Total Non-Operating Revenues	<u>\$ 2,686,275</u>	<u>\$ 2,723,799</u>	<u>\$ 1,195,760</u>	<u>\$ 919,143</u>	<u>\$ 1,493,627</u>
Transfers & Capital Contributions					
Capital Contributions	\$ 9,854,903	\$ 7,071,156	\$ 6,680,289	\$ 2,819,904	\$ 1,957,751
Transfers In	5,968,828	6,359,937	5,469,970	4,128,264	2,451,218
Transfers Out	(5,968,828)	(6,359,937)	(5,469,970)	(4,128,264)	(2,451,218)
Total Transfers & Capital Contributions	<u>\$ 9,854,903</u>	<u>\$ 7,071,156</u>	<u>\$ 6,680,289</u>	<u>\$ 2,819,904</u>	<u>\$ 1,957,751</u>
Change in Net Position	<u>\$ 14,851,843</u>	<u>\$ 15,056,508</u>	<u>\$ 9,616,744</u>	<u>\$ 7,340,792</u>	<u>\$ 5,016,530</u>
Net Position, Beginning of Year	<u>\$ 143,929,873</u>	<u>\$ 128,873,365</u>	<u>\$ 120,878,621</u>	<u>\$ 113,537,829</u>	<u>\$ 108,521,299</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,622,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position, End of Year	<u><u>\$ 158,781,716</u></u>	<u><u>\$ 143,929,873</u></u>	<u><u>\$ 128,873,365</u></u>	<u><u>\$ 120,878,621</u></u>	<u><u>\$ 113,537,829</u></u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

CHANGES IN NET POSITION – continued

	<u>FY 14/15</u>	<u>FY 13/14</u>	<u>FY 12/13</u>	<u>FY 11/12</u>	<u>FY 10/11</u>
Operating Revenues					
Sewer Charges	\$ 10,758,026	\$ 10,202,898	\$ 10,260,093	\$ 9,489,453	\$ 8,599,106
Connection Charges	888,198	1,005,529	680,755	411,250	267,268
Permits, Fees & Inspections	274,971	538,220	132,774	44,720	51,049
Total Operating Revenues	<u>\$ 11,921,195</u>	<u>\$ 11,746,647</u>	<u>\$ 11,073,622</u>	<u>\$ 9,945,423</u>	<u>\$ 8,917,423</u>
Operating Expenses					
Collection & Treatment	\$ 6,403,314	\$ 6,418,108	\$ 6,080,773	\$ 7,060,338	\$ 8,665,187
Administrative & General	1,332,209	1,104,119	1,054,767	998,869	1,032,454
Technical Services	1,818,102	704,383	688,465	667,200	617,663
Depreciation	1,163,361	1,088,844	1,022,054	1,052,093	1,067,596
Total Operating Expenses	<u>\$ 10,716,986</u>	<u>\$ 9,315,454</u>	<u>\$ 8,846,059</u>	<u>\$ 9,778,500</u>	<u>\$ 11,382,900</u>
Operating Income (Loss)	<u>\$ 1,204,209</u>	<u>\$ 2,431,193</u>	<u>\$ 2,227,563</u>	<u>\$ 166,923</u>	<u>\$ (2,465,477)</u>
Non-Operating Revenues (Expenses)					
Tax Revenue	\$ 686,237	\$ 893,954	\$ 610,400	\$ 575,130	\$ 607,420
Gain (Loss) on Sale of Asset	-	-	4,039	312	7,279
Interest Income	513,964	545,196	595,320	643,017	619,371
Interest Expense	(129,039)	14,544	12,271	10,551	15,979
Total Non-Operating Revenues	<u>\$ 1,071,162</u>	<u>\$ 1,453,694</u>	<u>\$ 1,222,030</u>	<u>\$ 1,229,010</u>	<u>\$ 1,250,049</u>
Transfers & Capital Contributions					
Capital Contributions	\$ 2,651,181	\$ 4,099,981	\$ 330,760	\$ 342,900	\$ 10,000
Transfers In	1,027,284	1,527,718	-	-	-
Transfers Out	(1,027,284)	(1,527,718)	-	-	-
Total Transfers & Capital Contributions	<u>\$ 2,651,181</u>	<u>\$ 4,099,981</u>	<u>\$ 330,760</u>	<u>\$ 342,900</u>	<u>\$ 10,000</u>
Change in Net Position	<u>\$ 4,926,552</u>	<u>\$ 7,984,868</u>	<u>\$ 3,780,353</u>	<u>\$ 1,738,833</u>	<u>\$ (1,205,428)</u>
Net Position, Beginning of Year	<u>\$ 106,767,165</u>	<u>\$ 98,782,297</u>	<u>\$ 94,491,070</u>	<u>\$ 94,947,491</u>	<u>\$ 91,734,163</u>
Prior Period Adjustment	<u>\$ (3,172,418)</u>	<u>\$ -</u>	<u>\$ 510,874</u>	<u>\$ (2,195,254)</u>	<u>\$ 4,418,756</u>
Net Position, End of Year	<u>\$ 108,521,299</u>	<u>\$ 106,767,165</u>	<u>\$ 98,782,297</u>	<u>\$ 94,491,070</u>	<u>\$ 94,947,491</u>

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S2 – NET POSITION BY COMPONENT
(Last 10 Years)

For the Fiscal Year Ending June 30,	Business-Type Activities		
	Net Investment in Capital Assets	Unrestricted	Total Net Position
2020	\$ 98,277,454	\$ 60,504,262	\$ 158,781,716
2019	\$ 89,388,724	\$ 54,541,149	\$ 143,929,873
2018	\$ 75,520,052	\$ 53,353,313	\$ 128,873,365
2017	\$ 61,229,199	\$ 59,649,422	\$ 120,878,621
2016	\$ 58,393,543	\$ 55,144,286	\$ 113,537,829
2015	\$ 57,266,134	\$ 51,255,165	\$ 108,521,299
2014	\$ 55,148,165	\$ 51,619,000	\$ 106,767,165
2013	\$ 49,653,932	\$ 49,128,365	\$ 98,782,297
2012	\$ 48,371,068	\$ 46,120,002	\$ 94,491,070
2011	\$ 48,808,224	\$ 46,139,267	\$ 94,947,491
2010	\$ 49,689,849	\$ 42,044,314	\$ 91,734,163

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S3 – EQUAL DWELLING CONNECTIONS BY FISCAL YEAR

For the Fiscal Year Ending June 30,	Total EDU'S	Increase	% Increase
2020	34,859	685	1.97%
2019	34,174	729	2.13%
2018	33,445	620	1.85%
2017	32,825	991	3.02%
2016	31,834	593	1.86%
2015	31,241	341	1.09%
2014	30,900	230	0.74%
2013	30,670	315	1.03%
2012	30,355	106	0.35%
2011	30,249	125	0.41%
2010	30,124	505	1.68%
2009	29,619	104	0.35%
2008	29,515	385	1.30%
2007	29,130	465	1.60%
2006	28,665	1,044	3.05%
2005	27,790	836	3.01%
2004	26,954	783	2.95%
2003	26,160	667	2.55%
2002	25,493	869	3.41%
2001	24,624	1,535	6.23%
2000	23,089	1,663	7.20%

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S4 – DELINQUENT ACCOUNTS – TOTAL SEWER CHARGES

For Fiscal Year Ending June, 30,	Delinquent Receivables	Delinquent Accounts	Total Sewer Charges
2020	\$ 355,843	896	\$ 15,383,211
2019	\$ 296,622	831	\$ 14,336,548
2018	\$ 336,459	845	\$ 12,344,700
2017	\$ 257,783	852	\$ 11,196,600
2016	\$ 271,300	890	\$ 10,911,100
2015	\$ 244,165	820	\$ 10,758,000
2014	\$ 243,315	828	\$ 10,203,000
2013	\$ 224,416	886	\$ 10,260,000
2012	\$ 209,925	898	\$ 9,489,000
2011	\$ 207,530	897	\$ 8,600,000
2010	\$ 174,132	866	\$ 7,827,000

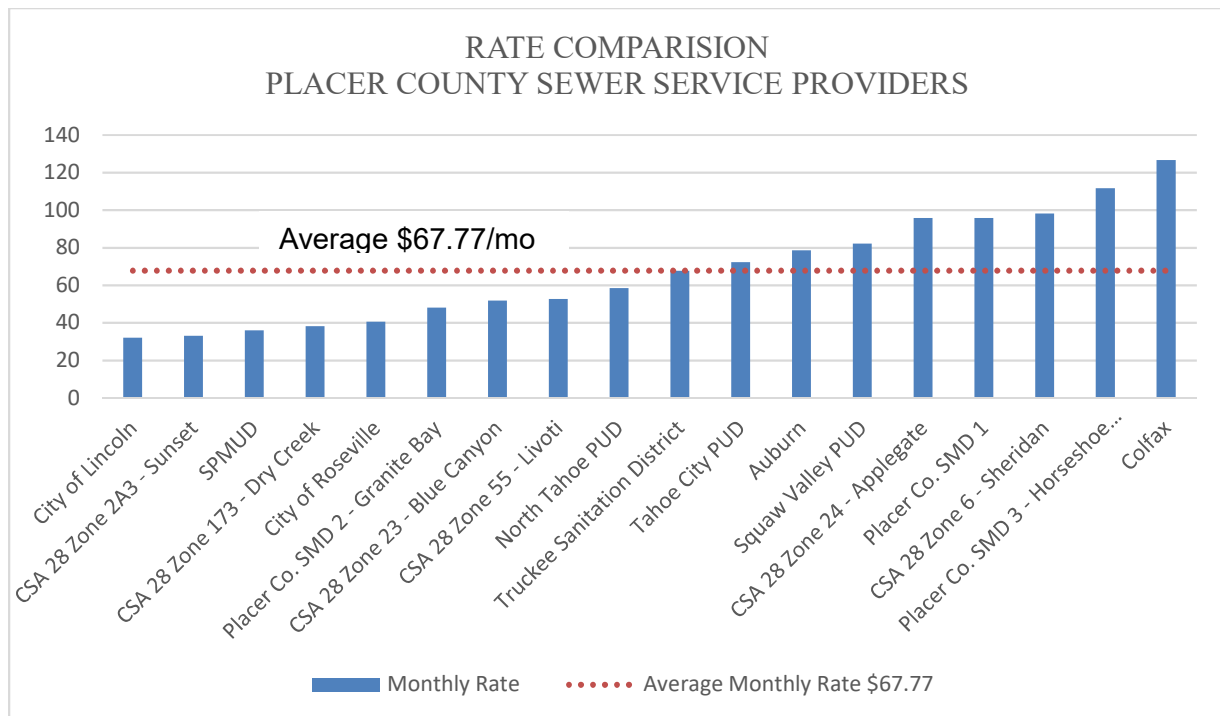
Note: Delinquent Accounts are assigned once each year. The delinquent account balances are collected through the Placer County Property Tax Rolls and paid throughout the year to the District.

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S5 – MONTHLY SEWER RATES/PARTICIPATION FEES & RATE COMPARISON

For the Fiscal Year Ending June 30,	Sewer Service Rates per Month	Local Sewer Participation Fees
2020	\$ 36	\$ 4,014
2019	\$ 34	\$ 3,923
2018	\$ 31	\$ 3,750
2017	\$ 28	\$ 3,750
2016	\$ 28	\$ 3,000
2015	\$ 28	\$ 3,000
2014	\$ 28	\$ 2,500
2013	\$ 28	\$ 2,500
2012	\$ 28	\$ 2,500
2011	\$ 24	\$ 2,250
2010	\$ 22	\$ 2,000

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



**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S6 – TEN LARGEST DISTRICT CUSTOMERS LAST 12 YEARS

2020	2019	2018	2017
Meridian Apts	Meridian Apts	MW Investment	Sunset West Apts
Rocklin Ranch Apts	Rocklin Ranch Apts	Sunset West Apts	William Jessup Univ
Sunset Summit Apts	Sunset Summit Apts	William Jessup Univ	Rocklin High Schools
Garnet Creek Apts	Garnet Creek Apts	Rocklin High Schools	Rocklin Elem.Schools
Rocklin High Schools	Rocklin High Schools	Rocklin Elem.Schools	Del Oro High School
Villa Serena Apts	Senior Living	Del Oro High School	Sierra College
Rocklin Elem.Schools	Sierra Lakes MH Park	Sierra College	Walmart Rocklin
Sierra Lakes MH Park	Broadstone Apts	Walmart (Rocklin)	Loomis RV Park
Broadstone Apts	Sagora Senior Living	Loomis RV Park	Howard Johnson
Sagora Senior Living	William Jessup	Studio Movie Grill	Blue Oaks Marketplace
2016	2015	2014	2013
Sunset West Apts	Sunset West Apts	William Jessup Univ	William Jessup Univ
William Jessup Univ	William Jessup Univ	Rocklin High Schools	Rocklin High Schools
Rocklin High Schools	Rocklin High Schools	Rocklin Elem.Schools	Rocklin Elem.Schools
Rocklin Elem.Schools	Rocklin Elem.Schools	Del Oro High School	Del Oro High School
Del Oro High School	Del Oro High School	Sierra College	Sierra College
Sierra College	Sierra College	Walmart Rocklin	Walmart Rocklin
Walmart Rocklin	Walmart Rocklin	Loomis RV Park	Loomis RV Park
Loomis RV Park	Loomis RV Park	Howard Johnson	Howard Johnson
Howard Johnson	Howard Johnson	Blue Oaks Marketplace	Blue Oaks Marketplace
Blue Oaks Marketplace	Blue Oaks Marketplace	RC Willey	RC Willey
2012	2011	2010	2009
Sierra College	Sierra College	Sierra College	Sierra College
Whitney High School	Whitney High School	Whitney High School	Whitney High School
Rocklin High School	Rocklin High School	Rocklin High School	Rocklin High School
Del Oro High School	Del Oro High School	William Jessup Univ	William Jessup Univ
William Jessup Univ	William Jessup Univ	Del Oro High School	Del Oro High School
Loomis RV Park	Loomis RV Park	Loomis RV Park	Loomis RV Park
Howard Johnson	Howard Johnson	Howard Johnson	Howard Johnson
RC Willey	Rocklin Lodging Grp	Rocklin Lodging Grp	Rocklin Lodging Grp
Rocklin Lodging Grp	Destiny Christian	Destiny Christian	Destiny Christian
Five Star Plaza	Rocklin Park Hotel	Rocklin Park Hotel	Rocklin Park Hotel

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S7 – DEMOGRAPHICS AND ECONOMIC STATISTICS

Fiscal Year Ending June 30,	Placer County Workforce	Number of Employed	Number on Unemployed	Unemployment Rate %	District Population	Median Household Income
2020	181,000	167,000	14,000	7.7%	76,136	84,357
2019	186,600	180,400	6,200	3.3%	68,415	80,728
2018	183,900	177,800	6,100	3.3%	68,325	76,600
2017	179,800	171,800	8,000	4.5%	66,525	71,435
2016	176,800	167,900	8,900	5.0%	64,974	70,490
2015	175,800	164,800	11,000	6.3%	63,324	70,100
2014	175,800	162,300	13,500	7.7%	62,790	69,800
2013	174,900	158,500	16,400	9.4%	61,800	68,800
2012	173,700	154,900	18,800	10.8%	61,200	68,200
2011	173,700	154,900	18,800	10.8%	60,414	67,900
2010	173,300	153,200	20,100	11.6%	60,141	67,900

Source: State of California, Employment Development Department

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
 STATISTICAL SECTION
 FOR THE YEAR ENDING
 JUNE 30, 2020**

TABLE S8 – PLACER COUNTY LARGEST EMPLOYERS

2020		2009	
Business or Organization	No. of Employees	Business or Organization	No. of Employees
Kaiser Permanente	7,735	Kaiser Permanente	3,064
Sutter Health	7,242	Hewlett-Packard	2,500
Sierra Joint Community College	2,100	Placer County	2,400
Adventist Health Systems	1,810	Union Pacific Railroad	2,000
Safeway	1,336	Sutter Health	1,983

Source: Sacramento Business Journal, May 2020

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S9 – TOP TEN TAXPAYERS – PLACER COUNTY

Taxpayer Name	Total Tax	Percentage	Net Taxable Value
Pacific Gas and Electric Company	\$13,212,591.00	1.22%	\$ 718,034,803.00
Roseville Shoppingtown LLC	\$ 4,678,834.00	0.43%	\$ 437,843,871.00
Cellco Partnership	\$ 3,378,480.00	0.31%	\$ 183,722,854.00
Liberty Utilities (Calpeco Electric), LLC	\$ 1,748,372.00	0.16%	\$ 95,077,077.00
Consolidated Communications of CA	\$ 1,698,955.00	0.16%	\$ 92,552,140.00
Briet Wave MF SC Owner LLC	\$ 1,652,349.00	0.15%	\$ 154,820,684.00
Roseville Fountains LP	\$ 1,573,027.00	0.15%	\$ 73,686,710.00
BBC Roseville Oaks LLC	\$ 1,564,322.00	0.15%	\$ 39,387,978.00
Union Pacific Railroad Comp.	\$ 1,460,116.00	0.14%	\$ 92,681,048.00
Taylor Morrison Of California LLC	\$ 1,360,920.00	0.13%	\$ 51,409,602.00

Source: Placer County

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S10 – FIVE YEAR CAPITAL SPENDING - FY 15/16 TO FY 19/20

Capital Project Review	FY 19/20	FY 18/19	FY 17/18	FY 16/17	FY 15/16
Account Clerk Workstation/Cubicles	\$ -	\$ -	\$ -	\$ 8,989	\$ -
Archiving/Disaster Plan	7,200	22,120	-	-	-
Board Room Furniture	-	-	-	-	6,057
CCTV Vehicle Replacement	-	-	-	106,792	3,366
Computers/Office Furniture	22,278	12,429	9,516	-	4,255
Confined Space Entry Equipment	-	4,763	-	-	-
Corp Yard Master Plan Improvements	58,180	-	3,245	21,528	-
Corp Yard & HQ Fire & Entry Alarm Replmt	-	-	-	5,647	37,890
Corp Yard & HQ Smart TV Screens	-	-	-	-	1,615
Corp Yard Bathroom Renovation	-	-	-	-	6,970
Corp Yard Exterior Rehab	-	-	9,860	-	-
Corp Yard Pavement Installation	-	42,014	-	-	-
Corp Yard Storage Enclosure Upgrade	-	-	-	-	53,554
Corp Yard Vehicle Wash Facility Upgrades	-	-	-	-	20,000
Cured in Place Pipe	13	-	-	-	-
Data Acquisition	897	4,585	4,002	8,821	20,915
District Participation in Regional Projects	-	102,032	129,996	-	-
Easement Roadway Replacements	26,527	18,274	22,623	-	35,000
Easement Inspection Equipment	13	-	-	-	-
Electric Rudder w/ Attachments	-	16,373	-	-	-
Energy Upgrades	-	24,128	-	-	-
Flow Monitoring Equipment	5,985	-	-	-	-
Flow Recorder Replace - Five Star Outfall	-	13,022	-	-	-
Foothill Trunk Project	989,188	13,485	16,974	85,535	216,414

**SOUTH PLACER MUNICIPAL UTILITY DISTRICT
STATISTICAL SECTION
FOR THE YEAR ENDING
JUNE 30, 2020**

TABLE S10 – FIVE YEAR CAPITAL SPENDING - FY 15/16 TO FY 19/20 (CONTINUED)

Capital Project Review	FY 19/20	FY 18/19	FY 17/18	FY 16/17	FY 15/16
GPS Survey Unit	-	-	-	-	13,539
Hands Free Communication	-	-	-	-	6,500
HRF Creek Crossings - Design & Permitting	-	-	-	38,953	-
Hydro Cleaning Nozzle - Chain Fuel	-	-	-	-	7,800
Hydro-Vac Excavation Kit	-	-	-	-	6,800
I80/HWY65 Pipeline Relocation - District Share	-	-	110,062	-	-
Lateral Camera Replacements	\$ -	\$ -	\$ 20,677	\$ -	\$ -
Lift Station Rehab/Pump Replacement	1,693	-	-	-	4,415
Lower Clover Valley Trunk	-	9,777	12,149	45,329	-
Lower Loomis 10" Trunk CIPP Liner	-	-	-	-	-
Lower Loomis Diversion Trunk line Project	27,673	2,635,603	6,690,017	517,468	43,119
Newcastle Master Plan Improvements	400	8,105	222,695	-	-
Pipe Trailer Replacement	-	5,972	-	-	40,000
Portable Generator Replacement	-	-	106,256	-	-
Rocklin 60 Reimbursement	-	157,153	-	-	-
SCADA Design & Implementation	73,396	-	-	-	-
Server Replacement	-	46,179	-	-	-
Sewer Cleaning Heads	-	-	-	-	7,844
System Improvements	-	18,113	64,575	-	-
System Rehabilitation	-	363,429	778,147	-	220,000
Vehicle Purchases	306,328	-	908,821	-	-
Vehicle Upgrades	17,118	-	-	-	-
VOIP Telephone Replacement	-	175,267	-	-	-
Total Capital Improvements	\$ 1,536,888	\$ 3,692,823	\$ 9,109,615	\$ 839,062	\$ 756,053