

AUTHORITY COMMUNICATION

TO: South Placer Wastewater Authority Board of Directors

DATE: January 12, 2022

FROM: Nick Rosas, Accounting Manager

AUTHORITY COMMUNICATION NO.: 22-05

SUBJECT: Audited Financial Statements for the Fiscal Year Ended June 30, 2021

ACTION REQUESTED

This communication is informational only. No action is required of the board.

The attached audited financial statements, report on internal control, and the communication letter to those charged with governance are for the fiscal year ended June 30, 2021. Lance, Soll, and Lunghard, LLP (LSL) conducted the audit of the financial statements. As a result of that audit, SPWA received an unmodified (clean) opinion. Additionally they did not identify any misstatements, and did not encounter any difficulties or have any disagreements with management while performing procedures. The authority received an audit finding for not performing timely bank reconciliations. The late bank reconciliations were caused by the timing of the retirement of the City's cash management senior accountant. A new senior accountant was recruited to fill this position, and the City has updated and improved its bank reconciliation process to ensure they are completely timely moving forward.

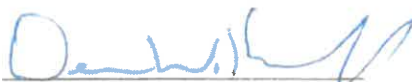
Also attached is the Single Audit report. A Single Audit is an audit that is required when a non-federal entity expends federal awards (grants) totaling \$750,000 or more in a single fiscal year. The State Revolving Fund loans that the Authority is using to fund the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects is a loan program which meets the requirements for a Single Audit. There were no additional audit findings and no misstatements identified as a result of this audit.

Submitted by:

Nick Rosas
Digitally signed by Nick Rosas
Date: 2022.01.10 15:12:31
+0800

Nick Rosas, CPA
Accounting Manager

Approved:



Dennis Kauffman
Chief Financial Officer



Richard D. Plecker
Acting Executive Director



SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA
JUNE 30, 2021

FINANCIAL STATEMENTS

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**SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

**SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Placer Wastewater Authority
Roseville, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of South Placer Wastewater Authority (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of the financial statements.





To the Board of Directors
South Placer Wastewater Authority
City of Roseville, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



To the Board of Directors
South Placer Wastewater Authority
City of Roseville, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The analysis rate stabilization restricted net position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of the Authority'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 solely 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Sacramento, California
December 30, 2021

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**STATEMENT OF NET POSITION
JUNE 30, 2021**

Assets:

Current:

Cash and investments in City Treasury	\$ 8,797,470
Investments	92,875,889
Restricted investments with fiscal agent	43,174,922
Accounts receivable	1,018,009
Accrued interest receivable	128,083

Total Current Assets **145,994,373**

Total Assets **\$ 145,994,373**

Liabilities and Net Position:

Liabilities:

Current:

Accounts payable	\$ 10,474,273
Accrued liabilities	1,011,221
Long-term debt due in one year	5,400,000

Total Current Liabilities **16,885,494**

Noncurrent:

Long-term debt due in more than one year	149,414,243
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Total Noncurrent Liabilities **149,414,243**

Total Liabilities **166,299,737**

Net Position:

Restricted for rate stabilization	91,540,176
Restricted for debt service	8,543,070
Unrestricted (deficit)	(120,388,610)

Total Net Position **(20,305,364)**

Total Liabilities and Net Position **\$ 145,994,373**

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2021**

Operating Revenues:	
Connection fees contributed by members	<u>\$ 22,590,272</u>
Total Operating Revenues	<u>22,590,272</u>
Operating Expenses:	
Construction costs	52,838,293
Personnel services and administration	<u>176,682</u>
Total Operating Expenses	<u>53,014,975</u>
Operating Income (Loss)	<u>(30,424,703)</u>
Nonoperating Revenues (Expenses):	
Grants	2,258,586
Interest revenue	401,081
Interest expense, fiscal agent fees and amortization	<u>(4,350,475)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,690,808)</u>
Changes in Net Position	(32,115,511)
Net Position - Beginning of Year	<u>11,810,147</u>
Net Position - End of Fiscal Year	<u>\$ (20,305,364)</u>

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities:

Receipts from members	\$ 22,065,666
Payments to contractors	(44,659,054)
Payments to City for personnel services and administration	(243,149)

Net Cash Provided (Used) by Operating Activities (22,836,537)

**Cash Flows from Capital
and Related Financing Activities:**

Proceeds from capital debt	4,344,362
Principal paid on capital debt	(5,285,000)
Interest paid on capital debt	(6,184,469)
Grant revenue	2,258,586

**Net Cash Provided (Used) by
Capital and Related Financing Activities** (4,866,521)

Cash Flows from Investing Activities:

Interest received	<u>423,765</u>
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**Net Cash Provided (Used) by
Investing Activities** 423,765

**Net Increase (Decrease) in Cash
and Cash Equivalents** (27,279,293)

Cash and Cash Equivalents at Beginning of Year 172,127,574

Cash and Cash Equivalents at End of Year \$ 144,848,281

Reconciliation of Cash and Investments to the Statement of Net Position

Cash and investments in City Treasury	\$ 8,797,470
Investments	92,875,889
Restricted investments with fiscal agent	43,174,922

Total cash and investments \$ 144,848,281

**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities:**

Operating income (loss)	\$ (30,424,703)
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**Adjustments to reconcile operating income (loss)
net cash provided (used) by operating activities:**

(Increase) decrease in accounts receivable	(524,606)
Increase (decrease) in accounts payable	8,179,239
Increase (decrease) in accrued liabilities	(66,467)

Total Adjustments 7,588,166

**Net Cash Provided (Used) by
Operating Activities** \$ (22,836,537)

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies

a. Organization and Purpose

The South Placer Wastewater Authority (Authority) is a Joint Powers Agreement created in October 2000 to finance the construction of the Pleasant Grove Wastewater Treatment Plant and improvements to the Dry Creek Wastewater Treatment Plant, referred to collectively as the Regional Wastewater Facilities.

The members of the Authority are the City of Roseville (City), South Placer Municipal Utility District (SPMUD), and the County of Placer (County). The Authority's governing board is comprised of five directors as appointed by the member agencies. Two directors are appointed by the City, one director is appointed by SPMUD, and two directors are appointed by the County. Each representative of the governing board has one vote.

In addition, the members entered into a Funding Agreement and Operations Agreement to provide for the funding and operation of the Regional Wastewater Facilities. Under the Funding Agreement the members agreed that the City will own and operate the Regional Wastewater Facilities and that the other members will have an interest in the capacity of those facilities. Capital construction costs are transferred to the City annually.

The members of the Authority amended the Joint Powers Authority Agreement and also entered into an Amended and Restated Funding Agreement and a Reallocation and Repayment Agreement effective January 31, 2019. The Amended and Restated Funding Agreement retroactively changed the proportionate shares of each member for cost allocations as follows:

1. The City from 61.66% to 64.57%
2. SPMUD from 22.43% to 21.95%
3. The County from 15.91% to 13.48%

The intent of the Amended and Restated Funding Agreement is that, notwithstanding short-term variances in the respective member contributions of Regional Connection Fees or other funds, the members' total respective financial contributions to capital costs (whether financed by Bonds, funded by Regional Connection Fees, or other sources) should be directly proportional to the members' respective actual usage of the wastewater treatment capacity made available by the construction of Regional Wastewater Facilities.

Members contribute connection fees they collect from developers. These connection fees are expected to be sufficient to fund the entire cost of the debt service on the Plant's construction, including principal and interest. These contributions are made monthly.

The Authority may not be terminated, and no member agency may withdraw its membership, until all bonds or other indebtedness issued by the Authority have been paid in full.

The Authority has no employees and substantially all staff services are performed by the City's personnel. Costs incurred by the City to provide such services are reimbursed by the Authority. The accounting records of the Authority are maintained by the City.

The Authority is considered to be a separate legal entity and is not a component unit of the above members.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about the Authority. These statements include the financial activities of the Authority overall. Eliminations have been made to minimize the double counting of internal activities. These statements display the business-type activities of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Revenues, Expenses and Changes in Net Position presents operating revenues and expenses and non-operating activities. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenue for the Authority is connection fees contributed by members. Operating expenses include the costs of personnel services and administration and construction costs of assets contributed to the City. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

c. Basis of Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets, all liabilities and all deferred inflows/outflows of resources of the enterprise are recorded on its statement of net position and, under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

The Authority has only one fund is used to pay all administrative, operating, construction and other expenses incurred by the Authority, and to account for member contributions and charges.

d. Cash and Cash Equivalents

All cash and investments are held either in the City's investment pool or by a fiscal agent. For purposes of the statement of cash flows, the Authority considers the cash and investment balance to be cash and cash equivalents.

e. Interest Income Allocation

Interest income is credited to capital construction costs and member contributions based on the source of the interest earned. Interest earned on restricted investments with fiscal agents is credited to capital construction costs and all other interest is accounted for as interest on contributions.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

f. Fair Value Measurement

The Authority 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 Authority does not have any investments that are measured using Level 3 inputs.

The Authority is a participant in the City-wide cash and investment pool (City Pool). The City Pool is an external investment pool, is not rated, and is not registered with the Securities Exchange Commission (SEC). The City's Assistant City Manager/Chief Financial Officer conducts City Pool oversight. Cash on deposit in the City Pool at June 30, 2021, is stated at fair value. The City Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2021 decreased the Authority's investment income by \$967,263. For further information regarding the City Pool, refer to the City of Roseville Annual Comprehensive Financial Report.

g. Net Position

Net Position is the excess of all the Authority's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. The Authority's net position is divided into two segments, restricted and unrestricted.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. At June 30, 2021, restrictions included:

Restricted for rate stabilization represents the portion of net position restricted for future use in the event development fees are not adequate to meet the required ratio of revenue to expenses required under bond indentures.

Restricted for debt service represents the portion of net position held in reserve in the event other resources of the Authority are not adequate to make required debt service payments.

Unrestricted describes the portion of net position which is not legally or contractually restricted as to use.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

h. Use of Estimates

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

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2: Cash and Investments

The Authority pools cash from all sources and all funds except cash with fiscal agents in the City's investment pool. The Authority's cash and investments balance held in the City's investment pool at June 30, 2021 is \$8,797,470. The City's investment pool is not rated and is not registered with the Securities Exchange Commission (SEC). The Authority's position in the City's investment pool at June 30, 2021 is stated at fair value. For further information regarding the City's investment pool, refer to the City of Roseville Annual Comprehensive Financial Report.

a. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agreements.

Investments in the City's Treasury	\$ 8,797,470
Investments	92,875,889
Restricted investments with fiscal agent	<u>43,174,922</u>
Total investments	<u>\$ 144,848,281</u>

b. Investments Authorized by the California Government Code and the Authority's Investment Policy

The Authority's investment policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's Investment Policy where the Authority's Investment Policy is more restrictive.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations (a)	5 Years	None	No Limit	No Limit
U.S. Agency Securities (a)	5 Years	None	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	AA	20%	No Limit
Forward Delivery Agreements	N/A	A	None	None
State of California or California Local Agency Bonds	5 Years	None	No Limit	No Limit
Registered State Treasury Notes or Bonds of the other 49 States	5 Years	None	No Limit	No Limit
Repurchase Agreements	30 Days	None	No Limit	No Limit
Bankers' Acceptances	180 Days	None	40%	30%
Commercial Paper	270 Days	A-1	40%	10%
Medium-Term Notes	5 Years	A	30%	10%
Collateralized Time Deposits	5 Years	None	30%	No Limit
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	LAIF Limit
Insured Saving Accounts	N/A	None	None	No Limit
Money Market Mutual Funds	N/A	(a)	20%	10%
Shares in a California Common Law Trust	N/A	None	None	No Limit
Interest Rate Swaps (c)	N/A	None	None	No Limit
City of Roseville Pooled Investment Fund	N/A	None	No Limit	No Limit
Supranationals	5 Years	AA-	30%	No Limit

(a) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of \$500,000,000.

c. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	None	None	None
U.S. Agency Securities of Certain Agencies (a) (b)	N/A	None	None	None
Money Market Mutual Funds	N/A	AAA ⁺ -G or AAA ⁺ m	None	None
Certificates of Deposit	360 days	A-1	None	None
Savings Accounts Deposit Account (fully insured)	N/A	None	None	None
Investment Agreements				
Forward Delivery Agreements	N/A	AA	None	
State or Municipality Bonds/Notes	N/A	One of two highest rating categories	None	None
Federal Funds or Bankers' Acceptances	360 days	A-1	None	None
Commercial Paper	270 days	A-1	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	LAIF Limit
California Asset Management Program	N/A	None	None	None

(a) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the Agency, provided they are backed by the full faith and credit of the United States of America, as follows:

- a. Certificates of beneficial ownership of the Farmers Home Administration
- b. Federal Housing Administration debentures
- c. Participations certificates of the General Services Administration
- d. Guaranteed mortgage-backed bonds or guaranteed pass through obligations of the Government National Mortgage Association
- e. Guaranteed Title XI financings of the U.S. Maritime Administration
- f. Project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development

(b) Bonds, debentures, notes or other evidence or indebtedness issued or guaranteed by any of the following non-full faith and credit of the U.S. government agencies:

- a. Senior debt obligations of the Federal Home Loan Bank System
- b. Participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation
- c. Mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association
- d. Senior debt obligations of the Student Loan Marketing Association
- e. Obligations of the Resolution Funding Corporation
- f. Consolidated system-wide bonds and notes of the Farm Credit System

d. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2: Cash and Investments (Continued)

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call date:

	Remaining Maturity			Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	
Corporate Notes	\$ 8,144,219	\$ 11,347,460	\$ 16,615,063	\$ 36,106,742
Federal Agency Securities	4,007,180	-	16,908,490	20,915,670
Municipal Bonds	-	-	4,101,531	4,101,531
Money Market Mutual Funds	67,180,630	-	-	67,180,630
City of Roseville Investment Pool	8,797,470	-	-	8,797,470
Local Agency Investment Fund	7,746,238	-	-	7,746,238
Total investments	\$ 95,875,737	\$ 11,347,460	\$ 37,625,084	\$ 144,848,281

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2021, these investments had an average maturity of 291 days.

Money market mutual funds were available for withdrawal on demand and at June 30, 2021 and had an average maturity of 27 days for the Dreyfus U.S. Treasury Money Market Fund and 27 days for the First American Money Market Fund.

e. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2021, for each investment type as provided by standard and poor's investment rating system:

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

Note 2: Cash and Investments (Continued)

	BBB+	A+/A/A-	AA+/AA/AA-	Total
Investments:				
Corporate Notes	\$ 3,003,810	\$ 25,880,833	\$ 7,222,099	\$ 36,106,742
Federal Agency Securities	-	-	2,161,380	2,161,380
Municipal Bonds	-	-	5,985,160	5,985,160
Totals	<u>\$ 3,003,810</u>	<u>\$ 25,880,833</u>	<u>\$ 15,368,639</u>	<u>44,253,282</u>
Not Rated:				
City of Roseville Investment Pool				8,797,470
Local Agency Investment Fund				7,746,238
Money Market Mutual Funds				67,180,630
Federal Agency Securities				14,930,510
Municipal Bonds				1,940,151
Total investments				<u>\$ 144,848,281</u>

f. Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2021:

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 6,951,840
Federal Agricultural Mortgage Corporation	Federal Agency Securities	7,978,670

g. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

SOUTH PLACER WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2: Cash and Investments (Continued)

The Authority has the following recurring fair value measurements as of June 30, 2021:

Investments at Fair Value	Amount	Quoted Prices In Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Agency Securities	\$ 20,915,670	\$ -	\$ 20,915,670	\$ -
Corporate Notes	36,106,742	-	36,106,742	-
Municipal Bonds	4,101,531	-	4,101,531	-
Money Market Mutual Funds	67,180,630	67,180,630	-	-
Categorized Investments	<u>128,304,573</u>	<u>\$ 67,180,630</u>	<u>\$ 61,123,943</u>	<u>\$ -</u>
Local Agency Investment Fund- uncategorized	8,797,470			
City of Roseville Investment Pool- uncategorized	7,746,238			
Total Investments	<u>\$ 144,848,281</u>			

Note 3: Capital Assets Contributed to the City of Roseville

Capital construction costs incurred by the Authority are transferred annually, in the form of construction in progress, to the City of Roseville, which owns and operates the Regional Wastewater Facilities. Capital construction costs of the Authority, as defined by the Funding Agreement, include personnel services and administration and construction costs. Construction costs include interest on construction financing costs, net of interest income on unexpended bond proceeds. Since the Regional Wastewater Facilities construction project was accepted as complete at the end of fiscal year 2004-2005, the debt service and interest income on unexpended bond proceeds are no longer a component of the capital construction costs of the Authority.

Costs incurred by the Authority in fiscal year 2021 totaling \$52,787,910 were transferred as construction in progress to the City of Roseville as of June 30, 2021.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

Note 4: Long-Term Debt

a. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021	Current Position
Revenue Bonds:						
2011 Refunding Wastewater Revenue Bonds, Series C						
5%, due 11/1/21	\$ 67,040,000	\$ 5,285,000	\$ -	\$ (5,285,000)	\$ -	\$ -
Add: bond premium	5,240,941	124,973	-	(124,973)	-	-
2017 Wastewater Revenue Bonds						
5%, due 11/1/37	74,780,000	74,780,000	-	-	74,780,000	5,400,000
Add: bond premium	17,220,595	14,637,506	-	(861,029)	13,776,477	-
2020 Wastewater Revenue Bonds						
5%, due 11/1/35	46,920,000	46,920,000	-	-	46,920,000	-
Add: bond premium	16,064,362	16,064,362	-	(1,070,956)	14,993,404	-
Total revenue bonds	227,285,898	157,811,841	-	(7,341,980)	150,469,861	5,400,000
Direct placement debt						
2020 SRF Loan						
1.30% Interest, due 6/10/2052	4,344,362	-	4,344,362	-	4,344,362	-
Direct placement debt total	4,344,362	-	4,344,362	-	4,344,362	-
Total	\$ 231,610,260	\$ 157,811,841	\$ 4,344,362	\$ (7,341,980)	\$ 154,814,243	\$ 5,400,000

b. Public Debt

2011 South Placer Wastewater Authority Wastewater Refunding Revenue Bonds, Series A, B, C and D

On April 7, 2011, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2011A and 2011B in the original principal amounts of \$30,165,000 and \$30,160,000, respectively, and Revenue Refunding Bonds Series 2011C and 2011D (SIFMA Index Bonds) in the original principal amounts of \$67,040,000 and \$30,000,000, respectively.

The Series 2011ABCD Bonds were issued to refund the remaining outstanding balance of the 2008 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds Series A and Series B. During fiscal year 2013, the 2011A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds. The 2011D Bonds were refunded in August 2014 by the 2014 Wastewater Revenue Refunding Bonds. In September 2017, the 2011C Bonds were partially refunded by the 2017 South Placer Wastewater Authority Revenue Bonds.

The remaining Series 2011C Bonds bear interest at 5.00% and are due semi-annually on May 1 and November 1 of each year. The Bonds are repayable solely from the Authority Revenues. Principal payments are due annually November 1 through 2020. The balance outstanding as of June 30, 2021, is zero.

2017 South Placer Wastewater Authority Refunding Revenue Bonds

On September 28, 2017, the South Placer Wastewater Authority issued the Wastewater Revenue bonds, Series 2017 in the amount of \$74,780,000.

The 2017 Bonds were issued for the purpose of providing funds, together with other available moneys, to (i) finance the Series 2017 Project, (ii) defease and redeem a portion of the Authority's Wastewater Revenue Refunding Bonds, Series 2011C (the "Series 2011C Bonds") and all of the Wastewater Revenue Refunding Bonds, Series 2014 (SIFMA Index Bonds), (iii) fund a deposit to the Parity Reserve Fund, and (iv) pay costs of issuance of the Series 2017 Bonds.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

Note 4: Long-Term Debt (Continued)

The Revenue Bonds bear interest at 5.00% and are due semi-annually on May 1 and November 1 of each year. Principal payments are due annually on November 1 beginning 2021 through 2037. The balance outstanding as of June 30, 2021 is \$74,780,000.

South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series 2020

On April 28, 2020, the South Placer Wastewater Authority issued Revenue Bonds, Series 2020 in the amount of \$46,920,000 to redeem the Authority's Wastewater Revenue Refunding Bonds, Series 2013 outstanding. The Revenue Bonds bear interest at 5.00% and are due semi-annually on May 1 and November 1 of each year. Principal payments are due annually on November 1 beginning 2029 through 2035. The balance outstanding as of June 30, 2021 is \$46,920,000.

As of June 30, 2021, the total principal and interest remaining to be paid on the 2017 Bonds and the 2020 Bonds was \$121,700,000 in principal and \$55,915,750 in interest. As disclosed in the Indenture, net revenues of the respective systems of the members are expected to provide coverage over debt service of 110% over the lives of the Bonds, however the 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. As discussed in Note 1A, the members' monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and the Authority pays the debt service and other costs from the Account, based on each member's proportionate share.

c. Direct Placement Debt

2020 SRF Loan

In June 2020, the City entered into loan agreements with the State Water Resources Control Board to secure funding for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects in the form of loans from the Clean Water State Revolving Fund. The City then entered into a reimbursement agreement with the South Placer Wastewater Authority as the Authority is responsible for the completion of these projects. The loans are approved for up to \$108,021,755, bear interest at the rate of 1.30% and are payable in 30 annual payments beginning on June 10, 2023. Total funds drawn on the loans at June 30, 2021 was \$4,344,362.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

Note 4: Long-Term Debt (Continued)

d. Debt Service Requirements

Annual debt service requirements, using interest rates as of June 30, 2021, are shown below for all long-term debt:

Year Ending June 30,	Revenue Bonds		Direct Placement Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 5,400,000	\$ 5,950,000	\$ -	\$ -	\$ 5,400,000	\$ 5,950,000
2023	5,790,000	5,670,250	119,332	56,477	5,909,332	5,726,727
2024	6,195,000	5,370,825	120,884	54,925	6,315,884	5,425,650
2025	6,635,000	5,049,875	122,465	53,354	6,757,465	5,103,229
2026	6,710,000	4,716,250	124,047	51,762	6,834,047	4,768,012
2026 - 2031	34,130,000	18,288,500	844,848	234,188	34,774,848	18,522,688
2031 - 2036	36,890,000	9,860,250	687,865	191,178	37,577,865	10,051,428
2036 - 2041	19,950,000	1,010,000	733,755	146,289	20,683,755	1,155,289
2041 - 2046	-	-	782,705	96,339	782,705	96,339
2046 - 2051	-	-	834,921	44,122	834,921	44,122
2051 - 2056	-	-	173,552	2,256	173,552	2,256
Totals	121,700,000	\$ 55,915,750	4,344,362	\$ 929,900	126,044,362	\$ 56,845,650
Reconciliation of long-term debt						
Add bond premium	28,769,881		-		28,769,881	
Net long-term debt	\$ 150,469,881		\$ 4,344,362		\$ 154,814,243	

Note 5: Risk Management

The Authority has purchased commercial insurance for general, property and public officials' liability. During the fiscal year ended June 30, 2021, the Authority paid \$20,496 for current year coverage.

The following types of loss risks are covered by the above commercial insurance policies as follows:

Type of Coverage	Coverage Limit	Deductible
Personal Injury, Including Bodily Injury and Property Damage	\$ 1,000,000	\$ 2,500
Automobile Liability	1,000,000	2,500
Public Officials Errors and Omissions	1,000,000	2,500
Employment Practices Liability	1,000,000	10,000
Crime Bond	10,000,000	2,500
Cyber Liability	250,000	10,000

The Authority has not had any claims that exceeded coverage in the past 3 years.

Note 6: Commitments and Contingent Liabilities

The Authority is subject to litigation arising in the normal course of business. In the opinion of the management, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**ANALYSIS OF RATE STABILIZATION RESTRICTED NET POSITION
JUNE 30, 2021**

	<u>City of Roseville</u>	<u>South Placer Municipal Utility District</u>	<u>Placer County</u>	<u>Totals</u>
Changes July 1, 2020 to June 30, 2021				
Regional connection fees	\$ 16,601,916	\$ 4,850,731	\$ 1,137,625	\$ 22,590,272
Grants	1,458,369	495,760	304,457	2,258,586
Capital construction costs	(34,117,690)	(11,598,007)	(7,122,603)	(52,838,300)
Debt service	(4,649,363)	(1,580,511)	(970,627)	(7,200,501)
Administrative costs	(116,522)	(39,611)	(24,326)	(180,459)
Increase/(Decrease) in RSF Balances	<u>(20,823,290)</u>	<u>(7,871,638)</u>	<u>(6,675,474)</u>	<u>(35,370,402)</u>
Beginning Balance, as of July 1, 2020	67,026,579	57,882,750	632,934	125,542,263
Ending Balance Before Interest Allocation	<u>46,203,289</u>	<u>50,011,112</u>	<u>(6,042,540)</u>	<u>90,171,861</u>
Interest allocation	701,113	758,895	(91,693)	1,368,315
Ending Balance, as of June 30, 2021	<u>\$ 46,904,402</u>	<u>\$ 50,770,007</u>	<u>\$ (6,134,233)</u>	<u>\$ 91,540,176</u>

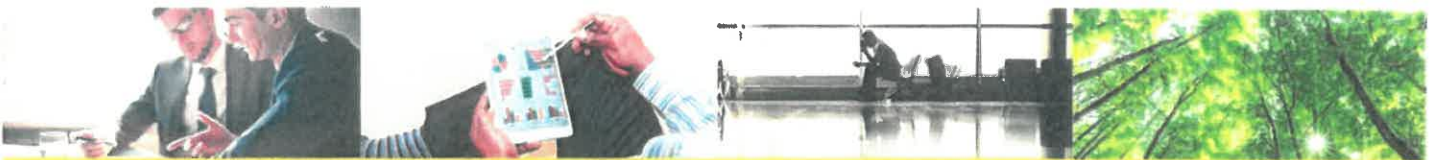
	<u>Net Position of</u>	
	<u>Bond Proceeds</u>	<u>Member Contributions</u>
Investments in City of Roseville Treasury Investments	\$ -	\$ 8,797,470
Unrealized gains / losses on investments	805,002	(805,002)
Restricted investments with fiscal agent	43,174,922	-
Accounts receivable	-	1,018,009
Accrued interest receivable	-	128,083
Accounts payable and other liabilities	(1,011,221)	(10,474,273)
Long-term debt:		
Due in one year	(5,400,000)	-
Due in more than one year	<u>(149,414,243)</u>	<u>-</u>
Net Position (Deficit)	<u>\$ (111,845,540)</u>	<u>\$ 91,540,176</u>



**SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA
JUNE 30, 2021**

SINGLE AUDIT REPORT

Focused
on YOU



**SOUTH PLACER WASTEWATER AUTHORITY
ROSEVILLE, CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2021

**SOUTH PLACER WASTEWATER AUTHORITY
SINGLE AUDIT REPORT
JUNE 30, 2021**

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

To the Board of Directors of
South Placer Wastewater Authority
Roseville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Placer Wastewater Authority, (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Reference Number 2021-001, that we consider to be a significant deficiency.





To the Board of Directors of
South Placer Wastewater Authority
Roseville, California

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Lani, Soll & Lughard, LLP".

Sacramento, California
December 30, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board Members of the Board of Directors
South Placer Wastewater Authority
Roseville, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the South Placer Wastewater Authority (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's government programs.





To the Board Members of the Board of Directors
South Placer Wastewater Authority
Roseville, California

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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



To the Board Members of the Board of Directors
South Placer Wastewater Authority
Roseville, California

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 30, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Sacramento, California
December 30, 2021

SOUTH PLACER WASTEWATER AUTHORITY (SPWA)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Other Programs				
Environmental Protection Agency (EPA)				
Capitalization Grants for Clean Water State Revolving Funds*	66.458	N/A	\$ -	\$ 2,078,586
Total Environmental Protection Agency Programs			\$ -	\$ 2,078,586

* Major Program

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SOUTH PLACER WASTEWATER AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the South Placer Wastewater Authority (Authority), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Authority becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SOUTH PLACER WASTEWATER AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? yes none reported
 - Material weaknesses identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? yes none reported
- Material weaknesses identified? yes no

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between type A and type B program	\$750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

SOUTH PLACER WASTEWATER AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

Bank Reconciliations – Significant deficiency

Reference Number: 2021-001

Condition:

Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls.

Criteria:

Bank statements are expected to be reconciled to the general ledger on a monthly basis.

Cause of Condition:

The employee responsible for reconciling the bank statements left the Authority during fiscal year 2021. As a result, a new employee was trained to perform the bank reconciliations, which resulted in a delay in the reconciliation of bank statements to the general ledger.

Effect or Potential Effect of Condition:

Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Recommendation:

We recommend that all bank accounts be reconciled each month prior to preparation of the annual financial statements.

Management's Response and Corrective Action:

The delay in bank reconciliation was an issue with the timing of the retirement of a key employee within the finance department. Bank reconciliations are now being performed timely.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

No matters were reported.



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

To the Board of Directors of
South Placer Wastewater Authority
Roseville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Placer Wastewater Authority, (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Reference Number 2021-001, that we consider to be a significant deficiency.





To the Board of Directors of
South Placer Wastewater Authority
Roseville, California

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Lance, Solt & Loughard, LLP

Sacramento, California
December 30, 2021



To the Board of Directors of
South Placer Wastewater Authority
Roseville, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Bank Reconciliations – Significant deficiency

Reference Number: 2021-001

Condition:

Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls.

Criteria:

Bank statements are expected to be reconciled to the general ledger on a monthly basis.

Cause of Condition:

The employee responsible for reconciling the bank statements left the City during fiscal year 2021. As a result, a new employee was trained to perform the bank reconciliations, which resulted in a delay in the reconciliation of bank statements to the general ledger.

Effect or Potential Effect of Condition:

Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Recommendation:

We recommend that all bank accounts be reconciled each month prior to preparation of the annual financial statements.

Management's Response and Corrective Action:

The delay in bank reconciliation was an issue with the timing of the retirement of a key employee within the finance department. Bank reconciliations are now being performed timely.



December 30, 2021

To the Board of Directors of the
South Placer Wastewater Authority
Roseville, California

We have audited the financial statements of the South Placer Wastewater Authority (the Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings and Other Issues

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020-2021. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

Management is responsible for the policies and practices used to account for significant unusual transactions. No significant unusual transactions have occurred during fiscal year 2020-2021.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.





Board of Directors of the
South Placer Wastewater Authority
Roseville, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

New auditing standards were implemented in fiscal year 2020-2021 related to Statement of Auditing Standards 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, through Statement of Auditing Standards 140, *Supplementary Information in Relation to the Financial Statements as a Whole*. These standards updated the form and content of the financial statement auditor's report. The purpose of the change was to present an easier format for users to understand the results of the audit and management's responsibilities.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues Discussed with Management

We generally discuss a variety of matters, including the significant events or transactions that occurred during the year, business conditions affecting the Authority and business plans and strategies that may affect the risks of material misstatements, the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the analysis of rate stabilization restricted net position, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Board of Directors of the
South Placer Wastewater Authority
Roseville, California

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2020-2021 audit:

GASB Statement No. 84, Fiduciary Activities.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61.

The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2022

GASB Statement No. 87, Leases.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

Fiscal year 2023

GASB Statement No. 91, Conduit Debt Obligations.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangement.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of South Placer Wastewater Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lane, Soll & Loughard, LLP".

Sacramento, California