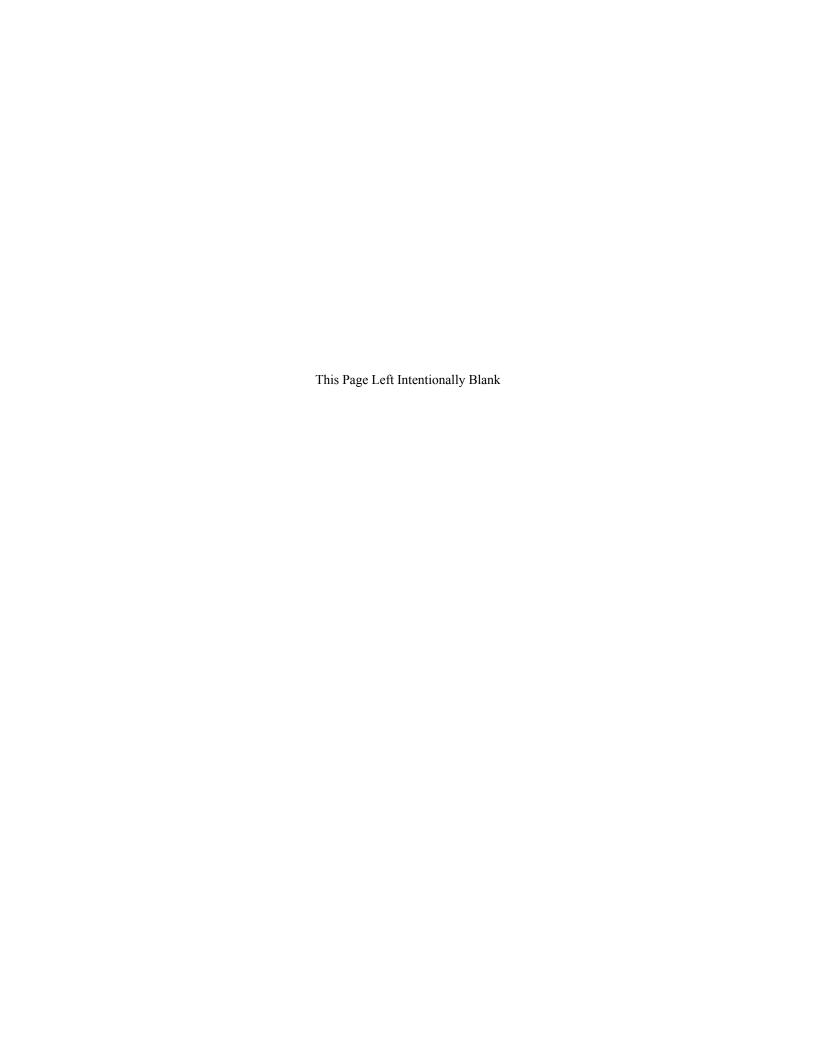
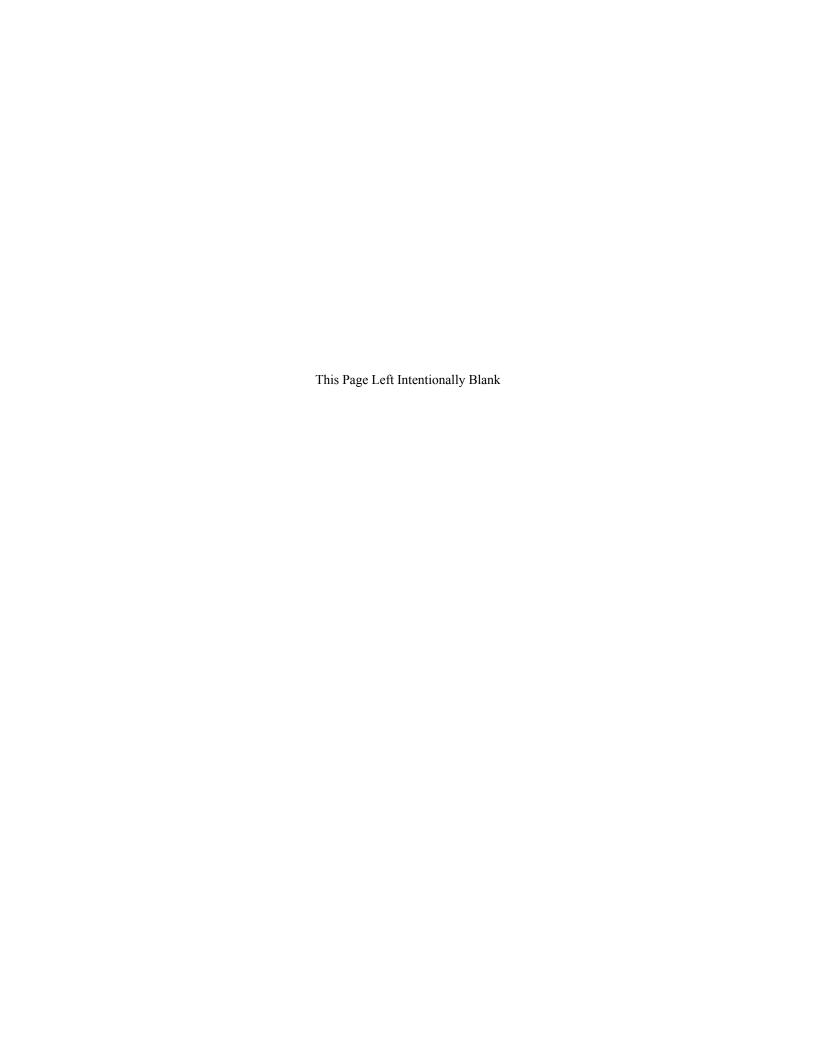
SOUTH PLACER WASTEWATER AUTHORITY CITY OF ROSEVILLE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



SOUTH PLACER WASTEWATER AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>Page</u>
Independent Auditor's Report 1
Management's Discussion and Analysis
Basic Financial Statements:
Statement of Net Position. 12
Statement of Activities 13
Statement of Cash Flows 14
Notes to Financial Statements
Supplemental Information:
Analysis of Rate Stabilization Restricted Net Position





INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the South Placer Wastewater Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that affected the nomenclature of the financial statements:

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 1B and 1D to the financial statements for relevant disclosures.

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013 that also affected the format and nomenclature of the financial statements and required a restatement of net position:

Statement 65 – *Items Previously Report as Assets and Liabilities*. See Note 1D and Note 4F to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

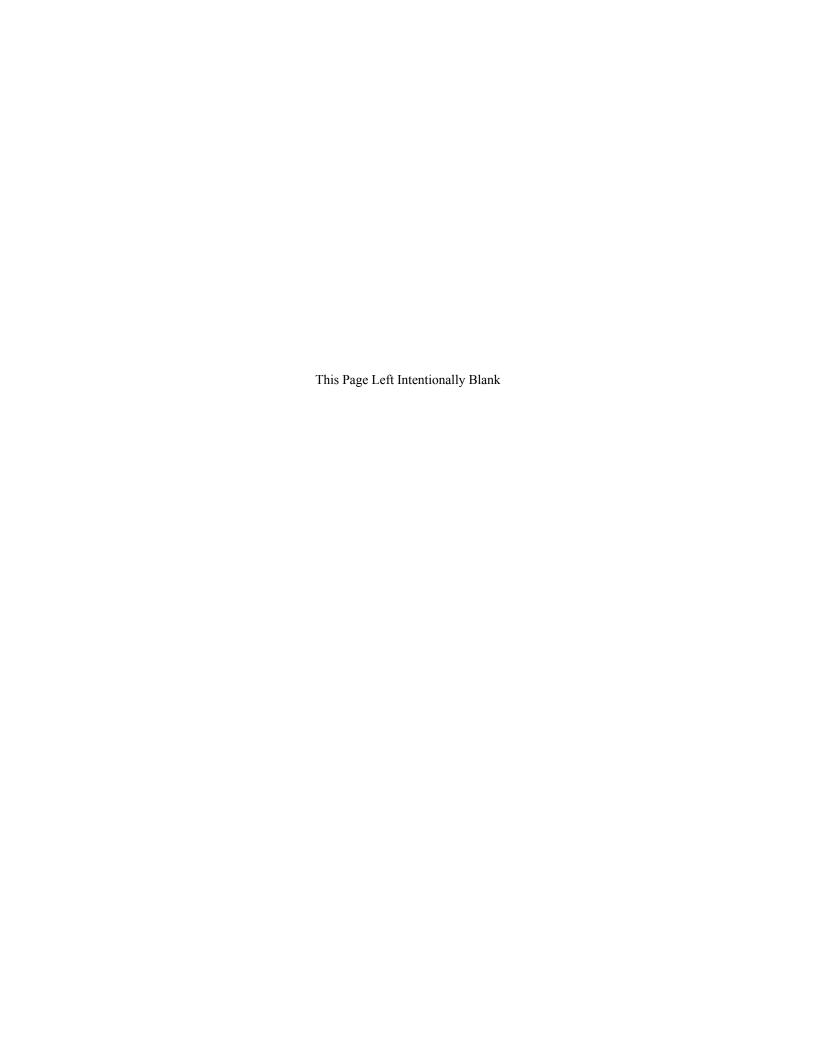
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental 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. 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 Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole.

Pleasant Hill, California December 20, 2013

Maye & associates



SOUTH PLACER WASTEWATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2013

THE AUTHORITY

The Authority is a regional joint venture created by the City of Roseville, Placer County and South Placer Municipal Utilities District (the Members) to finance the construction of the Pleasant Grove Wastewater Treatment Plant and other improvements located in the City of Roseville. The Authority issued \$180 million of debt for this purpose in December 2000.

Members contribute Connection Fees they collect from developers as the properties to be served by the Authority are developed. 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.

Now that construction is substantially complete, the Authority is responsible for collecting contributions of Connection Fees from members and for making all debt service payments on the Revenue Bonds until they are retired.

The Authority's accounting is similar to private business enterprises: capital construction costs, including interest costs, are capitalized; interest income on unexpended bond proceeds and other incidental income are netted against these costs. Under the terms of the agreements creating and governing the Authority (the Agreements), these net capital costs are transferred to the City of Roseville, which will own and operate the improvements when they are complete.

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 October 1, 2012. The Amended and Restated Funding Agreement changed the proportionate shares of each member for cost allocations as follows:

- 1. Roseville from 54.17% to 61.66%
- 2. South Placer Municipal Utility District from 25.00% to 22.43%
- 3. Placer County from 20.83% to 15.91%

The Reallocation and Repayment Agreement also provides for the County's elimination of the deficit in its Rate Stabilization Fund subaccount. The Agreement required the County to make an initial deposit of \$5,000,000 during fiscal year 2013, followed by quarterly payments of \$125,000.

THE BASIC FINANCIAL STATEMENTS

The Authority's Basic Financial Statements include the Statement of Net Position, Statement of Activities and Statement of Cash Flows. Together with this report, the Basic Financial Statements provide information about the significant events, assumptions and decisions that resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the Authority, including its debt.

The Statement of Activities normally provides information regarding the revenues generated by the Authority's operations, and expenses incurred in generating those revenues. The Authority's only operating resources are provided by contributions from members and the only costs it incurs are capital construction costs, which are contributed to the City of Roseville as they are incurred, and debt service payments.

The Statement of Cash Flows provides information regarding the sources and uses of all the cash that flowed into and out of the Authority, regardless of how these transactions were accounted for.

FINANCIAL ACTIVITIES AND FISCAL YEAR 2013 HIGHLIGHTS

Statement of Net Position

The Authority's Net Position increased \$8.3 million in 2013 as shown in Table 1 below

Table 1 Net Position As of June 30, 2013 and 2012 (In Millions)

	2013	2012
Assets		
Current Assets:		
Cash and investments	\$104.5	\$100.8
Other current assets	1.7	1.0
Noncurrent Assets	1.0	1.4
Total Assets	107.2	103.2
Deferred Outflows of Resources		
Accumulated decrease in		
fair value of hedging		
derivatives	11.4	16.4
Liabilities		
Current Liabilities	3.8	3.7
Long-term liabilities	163.1	172.6
Total Liabilities	166.9	176.3
Net Assets		
Restricted	106.0	102.0
Unrestricted (deficit)	(154.3)	(158.7)
Total Net Assets	(\$48.3)	(\$56.7) *

^{*}restated net position

The Authority's Net Position at June 30, 2013 is discussed below:

- Investments of member contributions and debt service reserves totaled \$104.5 million, all of which were invested in accordance with applicable Authority resolutions and bond indentures.
- Long-term liabilities increased net \$9.4 million due to the refinancing of the 2011A and 2011B bonds and a decrease in the negative fair value of the derivative.
- Other assets and liabilities included normal business receivables and payables.
- Net position restricted for rate stabilization totaled \$97.8 million; this net position is restricted by the Members for use in the funding of debt service payments required under the Authority's bond indentures and future capital expansion. A separate analysis of net position restricted for rate stabilization by Member is presented as supplementary information to the financial statements.
- Net position restricted for debt service totaled \$8.2 million; this amount is restricted under the Authority's Revenue Bond indentures to the payment of debt service in the event other resources of the Authority are not adequate.
- The deficit unrestricted net position totaling \$154.3 million represents net capital construction costs incurred to date in constructing various regional wastewater improvements. The construction in progress has been transferred to the City of Roseville in this amount, as required by the Agreements.

Statement of Activities

The Authority's Net Position increased \$8.3 million in fiscal 2013 as shown in Table 2 below.

Table 2 Changes in Net Position As of June 30, 2013 and 2012 (In Millions)

	2013	2012
Operating Costs		
Personnel services and administration	\$0.2	\$0.2
Construction costs	0.1	0.5
Net cost of capital assets	0.3	0.7
Debt service interest, variable bond interest		
expense and fiscal agent fees	6.8	7.0
Total program expenses	(7.1)	(7.7)
Nonoperating Income (Expense)		
Connection fees contributed by members	7.8	5.5
Payments from County under Repayment Agreement	7.0	0.0
Interest earned on connection fees	0.5	0.7
Interest earned on investments with fiscal agent	0.3	0.3
Net increase/(decrease) in the fair value of investments	(0.3)	(0.1)
Other non-program revenues	0.2	3.0
Total program income	15.5	9.4
Change in Net Position	8.4	1.7
Net Position at Beginning of Year	(56.7) *	(58.4)
Net Position at End of Year	(\$48.3)	(\$56.7)

^{*}restated net position

Prior to the completion of the Pleasant Grove Plant, capital costs of the Authority, as defined by the Agreements, include personnel services and administration, debt service, and construction costs. Construction costs include interest on construction financing costs, net of interest income on unexpended bond proceeds. Subsequent to the completion of the Plant, debt service costs are a program expense of the Authority, and not a component of capital costs.

Net capital costs were \$300 thousand at June 30, 2013. The following is the breakdown of capital costs:

- Personnel services, administration expenditures, and miscellaneous of \$174 thousand incurred in fiscal 2013 compared to \$195 thousand in fiscal 2012.
- Actual construction payments to contractors in fiscal 2013 were \$148 thousand, compared to \$539 thousand in fiscal 2012, as work on various wastewater improvements is continuing to wind down for the current phase of the system.

Debt service expenses in this fiscal year were \$9.6 million, including \$3.0 million for principal repayment, \$6.6 million in interest expense and fiscal agent fees.

Included in Other Non-Program Revenues are payments of \$7 million from the Placer County under the Reallocation and Repayment Agreement -- \$5.5 million of scheduled payments and an additional \$1.5 million from refunds of true-ups of estimated operating costs from the City.

The Authority received contributions of \$7.8 million from Members in fiscal 2013, representing Connection Fees collected by them from developers of properties in the area to be served by the Authority. This was an increase from fiscal 2012 of \$2.3 million, which reflects a sign of growth in development in the area.

Analysis of Rate Stabilization Restricted Net Position Schedule

The Schedule presented as supplementary information to the financial statements, shows that in fiscal 2013 interest income of \$0.5 million was added to Members' balances, down slightly from fiscal 2012. Member balances within the Rate Stabilization Restricted Net Position were reallocated among the members under the provisions of the Reallocation and Repayment Agreement.

DEBT ADMINISTRATION

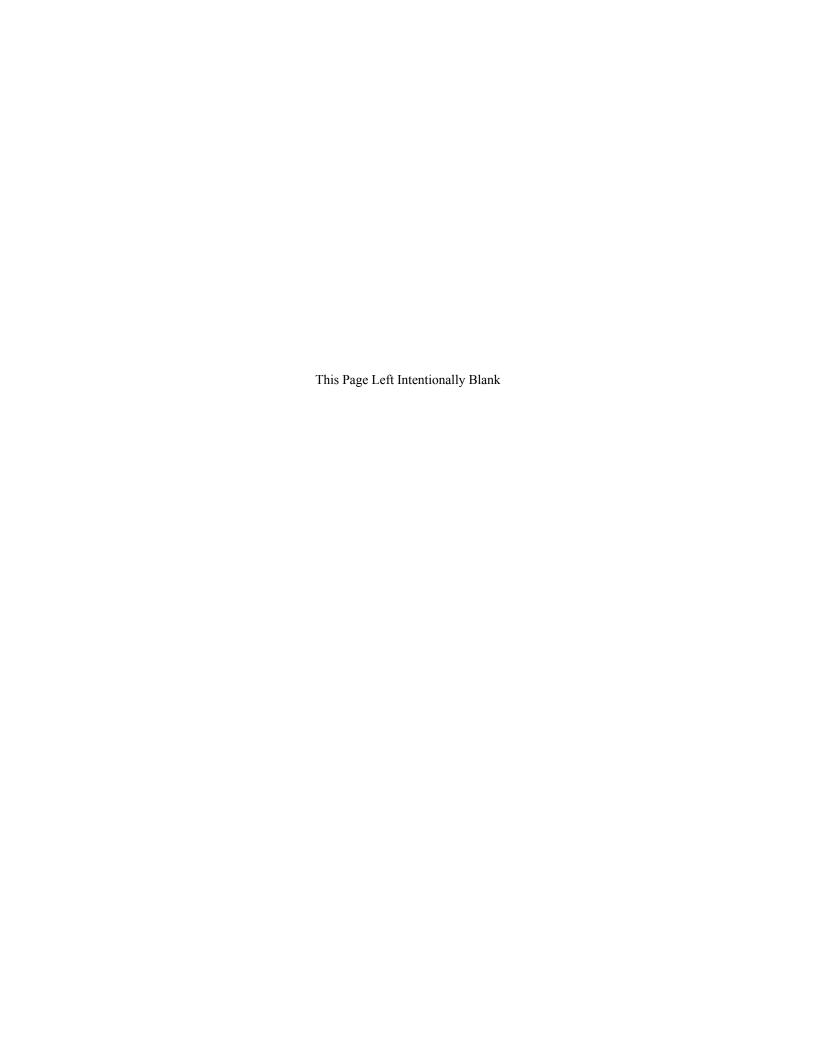
At June 30, 2013, the Authority's debt is comprised of 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series C, and 2011 South Placer Wastewater Authority SIFMA Index Refunding Wastewater Revenue Bonds, Series D, which are discussed in detail in Note 4 to the financial statements, and the 2013 South Placer Wastewater Authority Refunding Bonds. In April 2013, the Authority refunded the 2011 South Placer Wastewater Authority Variable Rate Demand Refunding Wastewater Revenue Bonds, Series A, and Series B into a Direct Placement with US Bank, Series 2013. In addition, the Authority has a swap with Morgan Stanley to synthetically fix the 2011 Series D and 2013 Series bonds.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economic outlook is looking up as development appears to be increasing in the area. If growth continues to increase, there will need to be discussions for future expansion in the next few years.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances. Questions about this Report should be directed to the City of Roseville Finance Department, at 311 Vernon Street, Roseville, CA 95678.



SOUTH PLACER WASTEWATER AUTHORITY

STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SOUTH PLACER WASTEWATER AUTHORITY STATEMENT OF NET POSITION JUNE 30, 2013

ASSETS

Current Assets: Investments in City of Roseville Treasury (Note 2) Investments (Note 2) Restricted investments with fiscal agent (Note 2) Accounts receivable Accrued interest receivable Due from other governments Noncurrent Assets: Permit fees receivable Total Assets	\$13,061,613 82,493,618 8,931,577 1,654 278,603 1,430,980 974,209
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decrease in fair value of hedging derivatives (Note 4D)	11,424,904
LIABILITIES	
Current Liabilities: Accounts payable and other liabilities Long-term debt (Note 4) Due in one year Long-term liabilities: Derivative at fair value (Note 4D) Long-term debt (Note 4) Due in more than one year Total Liabilities	614,576 3,225,000 11,424,904 151,673,264 166,937,744
NET POSITION (Note 5)	
Restricted for: Rate stabilization Debt service Unrestricted (deficit)	97,760,396 8,228,684 (154,329,666)
Total Net Position (Deficit)	(\$48,340,586)

See accompanying notes to financial statements

SOUTH PLACER WASTEWATER AUTHORITY STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

PROGRAM EXPENSES:

Cost of capital assets contributed to City of Roseville (Note 3): Construction costs Personnel services and administration	\$148,634 173,777
Cost of capital assets contributed to City of Roseville	322,411
Debt service interest, variable bond interest and fiscal agent fees Cost of issuance	6,611,970 152,707
Total program expenses	7,087,088
PROGRAM REVENUES:	
Connection fees contributed by members Payments from County under Repayment Agreement Miscellaneous revenue Interest earned on connection fees Interest earned on investments with fiscal agent Net (decrease) in the fair value of investments	7,787,796 7,011,569 137,429 526,014 261,937 (294,916)
Total program revenues	15,429,829
Change in net position	8,342,741
Net Position (Deficit) at beginning of year, as restated (Note 4F)	(56,683,327)
Net Position (Deficit) at end of year	(\$48,340,586)

See accompanying notes to financial statements

SOUTH PLACER WASTEWATER AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to contractors	(\$213,338)
Payments to City of Roseville for personnel services and administration	(173,777)
Interest paid on long-term debt	(6,939,529)
Net cash used by operating activities	(7,326,644)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from members	7,563,358
Receipts from Placer County under repayment agreement	7,011,569
Issuance of debt	59,330,000
Principal payments on capital debt	(63,365,000)
Issuance costs	(152,707)
Other receipts	135,775
Cash Flows from Capital and Related Financing Activities	10,522,995
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	428,381
Cash Flows from Investing Activities	428,381
Net decrease in cash and cash equivalents	3,624,732
Cash and investments at beginning of year	100,862,076
Cash and investments at end of year	\$104,486,808
Reconciliation of program expense to net cash used by operating activities:	
Program expense	(\$7,087,088)
Adjustments to reconcile program expense	(\$7,007,000)
to net cash provided by operating activities:	
Issuance costs	152,707
Amortization of deferred bond premium	(327,559)
Change in assets and liabilities:	
Accounts payable and other liabilities	(64,704)
Net cash used by operating activities	(\$7,326,644)
NONCASH CAPITAL FINANCING ACTIVITIES	
Contribution of construction in progress to the City of Roseville (Note 3)	(\$322,411)
Amortization of deferred bond premium	(\$327,559)

See accompanying notes to financial statements

For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The South Placer Wastewater Authority (the Authority) is a Joint Powers Agreement created in October, 2000 which is financing 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, South Placer Municipal Utilities District and the County of Placer. 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 the District, 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 of Roseville 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 of Roseville 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 October 1, 2012. The Amended and Restated Funding Agreement changed the proportionate shares of each member for cost allocations as follows:

- 1) Roseville from 54.17% to 61.66%
- 2) South Placer Municipal Utility District from 25.00% to 22.43%
- 3) Placer County from 20.83% to 15.91%

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.

The Reallocation and Repayment Agreement reflects the reallocation of wastewater treatment capacity among the members and reallocates the Rate Stabilization Fund subaccount balances among the members based on the account balances as of April 30, 2012 as follows:

	Subaccount	
	Balance	Reallocated
	Prior to	Subaccount
Member	Reallocation	Balance
City	\$79,139,380	\$63,978,830
District	34,295,690	39,497,643
County	(21,331,889)	(11,373,292)
Total	\$92,103,181	\$92,103,181

For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Reallocation and Repayment Agreement also provides for the County's elimination of the deficit in its Rate Stabilization Fund subaccount. The Agreement required the County to make an initial deposit of \$5,000,000 during fiscal year 2013, followed by quarterly payments of \$125,000. The County made deposits in excess of the required amounts and made payments totaling \$7,011,569 during fiscal year 2013.

Finally, the Reallocation and Repayment Agreement provides for the transfer of Recycled Water Facilities to the City to own and operate for its own account. The City is to reimburse the County for the cost of design and construction related to the recycled water line being constructed as part of the County's relocation of the Cook-Riolo Bridge, provided that the reimbursement amount will not exceed \$721,000. There were no reimbursement payments during fiscal year 2013.

Members contribute connection fees they collect from developers as the properties to be served by the Plant are developed. 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 City of Roseville personnel. Costs incurred by the City of Roseville to provide such services are reimbursed by the Authority.

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

The accounting records of the Authority are maintained by the City of Roseville.

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 Government Accounting Standards Board 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.

For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position and the Statement of Activities display information about the primary government (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 Activities presents a comparison between direct expenses and program revenues for each function of the Authority's business type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 fund which is the general operating fund of the Authority. It is used to account for all financial resources of the Authority. This 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has only one item that qualifies for reporting in this category. It is the accumulated decrease in the fair value of hedging derivatives reported in the fiduciary statement of net position. An accumulated decrease in the fair value of hedging is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective under the provisions of GASB Statement No. 53.

For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position 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.

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.

F. 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/inflows 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.

NOTE 2 - CASH AND INVESTMENTS

The Authority pools cash from all sources and all funds except cash with fiscal agents so that it can be invested at the maximum yield, consistent with safety and liquidity.

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the Authority's fiscal agents as required under its debt issues. In order to maximize security, the Authority employs the Trust Department of a bank as the custodian of all Authority managed investments, regardless of their form.

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 City of Roseville Treasury	\$13,061,613
Investments	82,493,618
Restricted investments with fiscal agent	8,931,577
Total Investments	\$104,486,808

SOUTH PLACER WASTEWATER AUTHORITY NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

		Minimum	Maximum	Maximum
	Maximum	Credit	Percentage	Investment
Authorized Investment Type	Maturity	Quality	Allowed	In One Issuer
U.S. Treasury Obligations	5 Years	None	No Limit	No Limit
U.S. Agency or Government Sponsored				
Enterprise Securities	5 Years	None	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	None	20%	No Limit
		One of two		
State of California or California Local		highest rating		
Agency Bonds	5 Years	categories	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	25%	10%
Medium-Term Notes	5 Years	A	30%	No Limit
Collateralized Time Deposits	5 Years	None	30%	No Limit
Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million	No Limit
Insured Saving Accounts	N/A	None	No Limit	No Limit
Money Market Mutual Funds	N/A	(A)	20%	10%
Shares in a California Common Law Trust	N/A	None	No Limit	No Limit
Interest Rate Swaps	N/A	None	No Limit	No Limit
City of Roseville Pooled Investment Fund	N/A	None	No Limit	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 and with assets under management in excess of \$500,000,000.

For the Year Ended June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

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:

		Minimum	Maximum	Maximum
	Maximum	Credit	Percentage	Investment
Authorized Investment Type	Maturity	Quality	Allowed	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
		AAAm-G or		
Money Market Funds	N/A	AAAm	None	None
Certificates of Deposit	360 days	A-1+	None	None
Savings Accounts, Deposit Accounts (fully insured)	N/A	None	None	None
Investment Agreements, including Forward Delivery Agreements	N/A	AA	None	None
		One of two		
		highest rating		
State or Municipality Bonds/Notes	N/A	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	\$50 million/account
California Asset Management Program	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	\$50 million/account

- (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 of 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.

SOUTH PLACER WASTEWATER AUTHORITY NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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 (in Months)			
	12 Months	13 to 24	25-60	
	Or Less	Months	Months	Total
City of Roseville Investment Pool	\$13,061,613			\$13,061,613
U.S. Treasury Notes		\$13,084,284	\$8,611,443	21,695,727
Federal Agency Securities	1,103,094	11,674,272	9,318,233	22,095,599
Medium-Term Notes		2,587,242	5,419,626	8,006,868
Forward Delivery Agreements	4,604,895			4,604,895
Negotiable Certificates of Deposit	1,000,420	3,494,225		4,494,645
Money Market Mutual Funds				
(U.S. Securities)	1,347,040			1,347,040
California Asset Management Program	4,130,357			4,130,357
Local Agency Investment Fund	25,050,064			25,050,064
Total Investments	\$50,297,483	\$30,840,023	\$23,349,302	\$104,486,808

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, 2013, these investments had an average maturity of 278 days.

For the Year Ended June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Authority is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Authority reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2013, the fair value approximated is the Authority's cost, and these investments had an average maturity of 37 days.

Money market mutual funds were available for withdrawal on demand and at June 30, 2013 and had an average maturity of 57 days for the Dreyfus U.S. Treasury Money Market Fund and 47 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, 2013, for each investment type as provided by Standard and Poor's investment rating system:

	AAA/AAAm	AA+/AA/AA-	A+/A/A-	A-1+/A-1	Total
Investments:					
Federal Agency Securities		\$22,095,599			\$22,095,599
Medium-Term Corporate Notes		4,981,798	\$3,025,070		8,006,868
Forward Delivery Agreements		4,604,895			4,604,895
Negotiable Certificates of Deposit		1,492,754		\$3,001,891	4,494,645
California Asset Management Program	\$4,130,357				4,130,357
Money Market Mutual Funds					
(U.S. Securities)	1,347,040				1,347,040
Totals	\$5,477,397	\$33,175,046	\$3,025,070	\$3,001,891	44,679,404
Exempt from Credit Rating Disclosure:					
U.S. Treasury Notes					21,695,727
					, ,
Not Rated:					
Local Agency Investment Fund					25,050,064
City of Roseville Investment Pool					13,061,613
Total Investments					\$104,486,808

SOUTH PLACER WASTEWATER AUTHORITY NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

The California Government Code stipulates certain percentage limitations on the amount that can be invested in any one issuer as noted on the table at Section B above. The Authority's Investment Policy does not place any further restrictions on the maximum investment in any one issuer. Investments in any one issuer, other than U. S. Treasury securities, money market mutual funds, the California Local Agency Investment Fund, the California Asset Management Pool and the City of Roseville Investment Pool, that represent 5% or more of total Authority investments are as follows at June 30, 2013:

	Investment	
Issuer	Туре	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$11,559,626
Federal National Mortgage Association	Federal Agency Securities	10,493,548

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, debt service, 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 2012-2013 totaling \$322,411 were transferred as construction in progress to the City of Roseville as of June 30, 2013.

For the Year Ended June 30, 2013

NOTE 4 - LONG-TERM DEBT

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Revenue Bonds						
2011 Variable Rate Demand Refunding						
Wastewater Revenue Bonds, Series A						
variable rate, due 11/1/35	\$30,165,000	\$30,165,000		\$30,165,000		
2011 Variable Rate Demand Refunding						
Wastewater Revenue Bonds, Series B						
variable rate, due 11/1/35	30,160,000	30,160,000		30,160,000		
2011 Refunding Wastewater Revenue Bonds, Series C						
1.00-5.25%, due 11/1/25	67,040,000	64,350,000		3,040,000	\$61,310,000	\$3,225,000
Add: deferred bond premium cost	5,240,941	4,585,823		327,559	4,258,264	
2011 Refunding Wastewater Revenue Bonds, Series D						
variable rate (SIFMA rate plus 0.83%), due 11/1/14	30,000,000	30,000,000			30,000,000	
2013 Variable Rate Demand Refunding						
Wastewater Revenue Bonds, Series 2013						
variable rate, due 11/1/35	59,330,000		\$59,330,000		59,330,000	
TOTAL		\$159,260,823	\$59,330,000	\$63,692,559	\$154,898,264	\$3,225,000

B. 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 2011 A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds.

Interest rates on the Series 2011D Bonds will be a per annum rate equal to the Adjusted SIFMA Rate (the sum of the SIFMA Index Rate and an additional interest rate of 0.832%), applied on the basis of the actual number of days in the applicable Interest Period divided by 365 or 366, as applicable. "SIFMA Index" is defined under the Indenture to mean the SIFMA Municipal Swap Index (formerly The Bond Market Association Municipal Swap Index), a seven—day high—grade market index composed of selected tax—exempt variable—rate demand obligations meeting specific criteria. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there will be used in its place such index as the Trustee, following consultation with the Authority and the Calculation Agent, as applicable for the applicable Interest Rate Period, from time to time determines most closely approximates the SIFMA Index. The interest rate at June 30, 2013 was 0.892%.

SOUTH PLACER WASTEWATER AUTHORITY NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 4 - LONG-TERM DEBT (Continued)

C. 2013 South Placer Wastewater Authority Wastewater Refunding Revenue Bonds

On April 1, 2013, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2013 in the original principal amount of \$59,330,000. The 2013 Bonds were issued to refund the remaining outstanding balance of the 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A and Series B. The refunding reduces the total debt service payments over 23 years by \$10,250,750 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8,280,943. The 2011A and 2011B Bonds were called on April 1, 2013.

The 2013 Bonds were issued as variable rate securities with interest calculated monthly equal to the LIBOR Index Rate. The LIBOR Index Rate is defined in the Indenture to mean the per annum rate of interest established on each Computation Date (monthly) and effective on each related LIBOR Index Reset Date equal to the sum of the Applicable Spread (initially 0.625%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The interest rate of the Bonds cannot exceed 12% per year and may be converted by the Authority into a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate, subject to certain conditions defined in the Indenture. The interest rate at June 30, 2013 was 0.761%. The Bonds are subject to mandatory redemption annually beginning November 1, 2029 through 2035.

The Authority originally entered into a 19 year interest rate swap agreement for the entire amount of the 2008B Bonds, and as part of the issuance of the 2011 ABCD Bonds, the swap agreement was amended and remains in effect, but the notional amount of the swap is based on the notional amount of the 2008 B Bonds. The interest rate swap agreement remains outstanding after the refunding and issuance of the 2013 Bonds, and the notional amount of the swap continues to be based on the notional amount of the 2008B Bonds. The combination of the variable rate bonds and the floating rate swap creates a synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the 2011 C and 2013 Bonds at June 30, 2013 was 4.05%.

As of June 30, 2013, the total principal and interest remaining to be paid on the 2011 Series C, 2011 Series D Bonds and the 2013 Bonds was \$203,768,439. 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. For fiscal year 2013, \$9,976,757 in debt service was paid from the Rate Stabilization Account.

For the Year Ended June 30, 2013

NOTE 4 - LONG-TERM DEBT (Continued)

D. Interest Rate Swap Agreement

The Authority entered into an interest swap agreement in connection with the 2008 Refunding Wastewater Revenue Bonds, Series B. The Authority amended the swap with the issuance of the 2013 Bonds, but the swap continues to be based on the notional amount of the 2008 B Bonds.

The combination of variable rate bonds and a floating swap effectively changes the Authority's variable interest rate on the bonds to a synthetic rate, protecting the Authority against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2013, is included below. The Authority's swap agreement contains scheduled reductions to the outstanding notional amount, which is based on the notional amount of the 2008 Refunding Wastewater Revenue Bonds, Series B.

Notional Amount	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Maturity/ Termination Date
\$82,650,000	9/17/2003, amended 4/10/2008	Morgan Stanley Capital Services Inc.	A-	3.665%	62% of 1m LIBOR plus 26 bps	11/1/2027

Based on the swap agreement, the Authority owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the Authority interest based on the variable rate that approximates the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which swap receipts and payments are calculated.

Fair value. Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. The Authority has accounted for the change in fair value of the swap as a deferred outflow. As of June 30, 2013, the fair value of the swap was not in favor of the Authority as follows:

	Fair Value		
Related Bond Issue	2013	2012	
2011 Refunding Wastewater Revenue			
Bonds, series C and D and 2013 Refunding			
Wastewater Revenue Bonds (based on			
notional amount of 2008 Refunding			
Wastewater Revenue Bonds, Series B)	(\$11,424,904)	(\$16,427,150)	

For the Year Ended June 30, 2013

NOTE 4 - LONG-TERM DEBT (Continued)

Credit risk. The Authority would be exposed to credit risk on the outstanding swap if the swaps had positive fair values. These amounts may increase if interest rates increase in the future. However, if interest rates decline and fair values of the swaps were to become negative, the Authority would no longer be exposed to credit risk. The Authority will be exposed to interest rate risk only if the counterparty to a swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the Authority on underlying variable rate bond to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Authority bears basis risk on the swap. The swap has basis risk since the Authority receives a percentage of LIBOR index to offset the actual variable bond rate the Authority pays on its bonds. The Authority is exposed to the basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on the underlying bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Authority is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the Authority is exposed to this basis risk.

Termination risk. The Authority may terminate if the other party fails to perform under the terms of the contract. The Authority will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Authority's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk. Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the Authority will be re-exposed to the risks being hedged by the swap. The swap based on the 2008 Refunding Wastewater Revenue Bonds, Series B, associated with the 2011 C and D Refunding Wastewater Revenue Bonds and 2013 Refunding Wastewater Revenue Bonds, exposes the Authority to rollover risk because the swap terminates on November 1, 2027 while the 2011 A and B mature on November 1, 2035, the 2011 C Bonds mature on November 1, 2025 and the 2011 D Bonds mature on November 1, 2014, and the 2013 Bonds mature on November 1, 2035.

SOUTH PLACER WASTEWATER AUTHORITY NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 4 - LONG-TERM DEBT (Continued)

Swap payments and associated debt. Using rates as of June 30, 2013, debt service requirements of the Bonds and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

For the Year Ending	Variable-Rate and Fi	xed-Rate Bonds	Interest Rate	
June 30	Principal			Total
2014	\$3,225,000	\$3,726,374	\$2,622,697	\$9,574,071
2015	33,460,000	3,396,974	2,480,064	39,337,038
2016	3,710,000	3,137,074	2,332,230	9,179,304
2017	3,985,000	2,953,250	2,179,467	9,117,717
2018	4,275,000	2,746,749	2,020,682	9,042,431
2019 - 2023	26,520,000	10,060,789	7,509,730	44,090,519
2024 - 2028	16,135,000	3,327,150	2,575,335	22,037,485
2029 - 2033	31,295,000	1,769,893		33,064,893
2034 - 2036	28,035,000	289,981		28,324,981
Totals	\$150,640,000	\$31,408,234	\$21,720,205	\$203,768,439

E. Debt Service Requirements

For the Vear

Annual debt service requirements, using interest rates as of June 30, 2013, are shown below for all long-term debt:

Ending June 30	Principal	Interest
2014	\$3,225,000	\$6,349,071
2015	33,460,000	5,877,038
2016	3,710,000	5,469,304
2017	3,985,000	5,132,717
2018	4,275,000	4,767,431
2019 - 2023	26,520,000	17,570,519
2024 - 2028	16,135,000	5,902,485
2029 - 2033	31,295,000	1,769,893
2034 - 2036	28,035,000	289,981
Total	150,640,000	\$53,128,439
Reconciliation of long-term debt Add deferred bond premium costs	4,258,264	
rad deferred bond premium costs	7,230,207	
Net long-term debt	\$154,898,264	

For the Year Ended June 30, 2013

NOTE 4 - LONG-TERM DEBT (Continued)

F. Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Amount on Refunding

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it is reported as a deferred inflow/outflow of resources, as applicable, and is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, bond issuance costs, other than prepaid insurance, are to be expensed in the year incurred. As a result of the implementation, bond issuance costs as of July 1, 2012 in the amount of \$1,046,671 have been removed and the net position of the Authority has been reduced and restated in that amount.

NOTE 5 – 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, 2013, 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.

SOUTH PLACER WASTEWATER AUTHORITY NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 6 - RISK MANAGEMENT

The Authority has purchased commercial insurance for general, property and public officials liability. During the fiscal year ended June 30, 2013, the Authority paid \$16,859 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
Personal Injury, Including Bodily	
Injury and Property Damage	\$1,000,000
Automobile Liability	1,000,000
Public Officials Errors and Omissions	1,000,000
Employment Practices Liability	1,000,000
Crime Bond	10,000,000

The Authority has not had any claims as of June 30, 2013.

NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

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



SOUTH PLACER WASTEWATER AUTHORITY ANALYSIS OF RATE STABILIZATION RESTRICTED NET POSITION

	City of Roseville	South Placer Municipal Utility District	Placer County	Totals
Balance at June 30, 2012	\$79,958,140	\$34,235,458	(\$21,597,206)	\$92,596,392
Reallocation and Repayment Agreement reallocation of participant subaccount balance	(15,304,728)	5,251,447	10,053,281	
Additions July 1, 2012 to June 30, 2013 Payments under repayment agreement Regional Connection fees Reimbursement of Construction costs others Interest allocation Capital construction costs Debt service Administrative costs Total Balance at June 30, 2013	5,510,747 84,739 354,441 (91,647) (6,151,445) (107,153) (15,705,046) \$64,253,094	1,827,630 30,825 214,702 (33,340) (2,237,705) (38,978) 5,014,581	7,011,569 449,419 21,865 (43,129) (23,647) (1,587,243) (27,646) 15,854,469	7,011,569 7,787,796 137,429 526,014 (148,634) (9,976,393) (173,777) 5,164,004
			Net Posit	ion of Member Contributions
Investments in City of Roseville Treasury Investments Restricted investments with fiscal agent Unallocated loss on investments Accounts receivable Accrued interest receivable Due from other governments			\$8,931,577 (75,626)	\$13,061,613 82,493,618 75,626 1,654 278,603 1,430,980
Permit fees receivable Accumulated decrease in fair value of hedging derivative at fair value Long-term debt: Due in one year Due in more than one year	atives		11,424,904 (58,669) (11,424,904) (3,225,000) (151,673,264)	974,209 (555,907)

(\$146,100,982)

\$97,760,396

Net Position (Deficit)