



2019 Annual Report

*Pursuing the
future together*



Through planning and
experience, Roseville
Environmental Utilities
makes the most of the
city's resources.



Director's message

At Environmental Utilities (EU), we buy into the notion of working smarter, not harder. But that doesn't necessarily mean the work is easy. That's why we approach each day equipped with knowledgeable staff, an engaged community, and a roadmap for what's to come.

Many EU staff will say that our work tends to be invisible. From maintaining infrastructure to tracking legislation that has long-term implications for Roseville residents, our efforts are often hidden from the public eye. That said, the planning and investments we make have tangible outcomes for those who call Roseville home.

During fiscal year 2019, we continued to expand our outreach and educational work through the Roseville Utility Exploration Center (UEC). The UEC hosts workshops, field trips, drop-in family events, and more and marked 11 years at the Martha Riley Library. They report continued growth in their family event attendance and outreach efforts.

Looking out to the future, the UEC became a member of the Collaboration for Ongoing Visitor Experience Studies, or COVES. This national collaborative of more than 30 museums will help us collect and assess statistically-valid data on museum visitors. This data will inform our long-term work at the UEC as we plan exhibit upgrades and program updates.

We also added staff who specialize in government relations to the EU team. One ensures we adhere to regulations, the other tracks and influences legislation, mostly at the state level. We have found that it is better for us to engage with the political process in a proactive way, and they are our voice in advocating for Roseville's interests.

In our water utility, we've continued to rethink how to best use our groundwater resources sustainably. Our system of six groundwater wells allows us to extract water stored underground during drier years, and add to the bank in wetter years. This system allows us to build in reliability and take advantage of water conditions and bank it for the future. This system is known as Aquifer Storage and Recovery, or ASR.

In early 2019, we were able to replenish the groundwater basin with nearly 1,000 acre-feet of water, which is enough to fill Levi Stadium with 22 feet of water. Given Mother Nature's great work, we used excess water from Folsom Reservoir that would have otherwise flowed into the Pacific Ocean.

At the same time, we've been developing a relationship with other local water agencies. EU is a member of the Western Placer Groundwater Sustainability Agency, which is developing a plan to manage this resource as required by California's Sustainability Groundwater Management Act.

Finally, we know that the "gray wave" is starting to hit our staff. As many of our folks reach retirement age, we're exploring new ways to attract younger people to careers in the utilities. This is something that many utilities throughout the country are beginning to face, and the realization of recruiting the next generation workforce is paramount to ensuring a smooth knowledge transfer. To that end, we've formed the Career Outreach Committee—a small group tasked with connecting with high schools and community colleges to open students up to utility careers. We want to show the next generation the exciting and fulfilling career paths at EU.

We've created a culture that's forward-thinking, locally-focused, energetic, and fun. We know that when it comes down to it, happy and well-prepared employees do better work and we want to work hard for the residents of Roseville.

Sincerely,
Richard D. Plecker, P.E.
Roseville Environmental Utilities Director


Compare our rates

The Environmental Utilities Department operates municipal water, wastewater, recycled water, and solid waste utilities for residential, commercial, and industrial customers in Roseville. City ownership of these municipal utilities allows customers the dual benefit of reliable services and utility rates that remain among the lowest in the region. This is a breakdown of average monthly residential costs per utility compared to the Sacramento region.



Fiscal year 2019 statistics

Utility Customer Breakdown



Water	
Residential Customers	45,071
Commercial Customers	3,574
Total	48,645



Wastewater	
Residential Customers	46,857
Commercial Customers	2,372
Total	49,229




Solid Waste	
Residential Customers	44,840
Commercial Customers	1,537
Total	46,377

Sales, Service and Employees

	Water	Wastewater	Solid Waste
Utility Sales	\$32,137,257	\$43,315,989	\$25,083,954
Service (Water Production, Wastewater Treatment and Refuse Collection)	28,384 acre-feet	6.8 million gallons	120,000 tons
Number of Employees (Includes EU Admin and EU Technical Services)	79	85	59

Utility Exploration Center Attendance



39,057
Total Attendance



13,986
Special Event Attendance



8,005
School Tour Attendance



9
Number of Employees



2,343
Volunteer Hours

Making connections at the Utility Exploration Center

To run an effective learning space for children, it takes planning, assessment, and a little something extra. At the Utility Exploration Center (UEC), children can dive into the world of utilities and adults can learn some things, too. The UEC delivers school programs for field trips, preschool playgroups, adult workshops, and more. UEC staff also coordinate EU's family events, and host the Pleasant Grove Wastewater Treatment Plant tours. Their aim is to illuminate the utilities and show learners of all ages how to be stewards of our limited resources in their everyday lives.

For Senior Interpretive Services Specialist Brayden Mitchell, the payoff for all that work is clear: the spark of curiosity he sees in young learners.

"There is absolutely something magical when you're teaching school programs and those kids are looking at you like, 'We're

scientists today? Wow!'" Brayden said. "Those moments are pretty awesome."

The UEC is located at the Martha Riley Library, and run jointly by EU and Roseville Electric Utility.

SCHOOL PROGRAMS

Last year, nearly 5,900 children visited the UEC in school groups and tours. The UEC offers a selection of different age appropriate programs for elementary school students. Each group gets time to explore the activities prepared just for them.

"The kids enjoyed the hands-on activities," said Diana Yeager, a third-grade teacher at Thomas Jefferson Elementary School. "The presentation was thought-provoking for them, yet engaging."

"Anytime there's a garbage truck or anything to do with garbage, that seems to get the kids there."

LARRY WINTER
Recycling and Organics Coordinator





“There is absolutely something magical when you’re teaching school programs and those kids are looking at you like, ‘We’re scientists today? Wow!’”

BRAYDEN MITCHELL
Senior Interpretive Services Specialist

She added that her students learned how they can have a real impact on the environment.

One way the UEC does this is through the Lunch Dump. When a teacher opts into the activity, UEC staff lead students in sorting the trash and leftovers. Leftover food like apple cores are added to worm composting bins.

“The Lunch Dump is great for students to see how much trash we make,” said Diamond Creek Elementary School teacher Jill Petersen. Her third-grade class also took part in the Water Warriors Program, which guides students through the Earth’s water cycle and introduces them to how potential pollutants enter the waterways. This leads to discoveries of ways to



“The Lunch Dump is great for students to see how much trash we make.”

JILL PETERSEN
Diamond Creek Elementary School Teacher

protect the water system.

“The watershed was enlightening for students,” said Peterson. “They have no idea how water gets to us.”

That “a-ha moment” is a big part of what staff at the UEC work to create.

ADULT WORKSHOPS

In 2015, Kozue Leone and her husband moved from the East Coast. No irrigation was required in her home in a Washington, D.C. suburb, so when she came to Roseville, she had some learning to do. She turned to the web for help.

“Irrigation was completely new to me and I had to learn it through YouTube,” she said, but the videos still left her with questions. “There are many different ways of irrigation,” Kozue added.

She enjoyed gardening and wanted to learn how to manage her yard in these conditions that were drier than she was used to. While at the Martha Riley Library, Kozue saw a brochure for the gardening workshops that EU offers. She attended an irrigation workshop to learn the basics of irrigation — things like terminology, equipment, and easy fixes to common problems.

Her Roseville yard has Japanese maple trees, rose bushes, Chinese fringe flower, and other plants. Now she is better equipped to manage her garden year-round.

“I can figure things out myself instead of just wondering, ‘Why is this plant not growing?’” she said.



"It's much more proactive to help the residents to do their gardening themselves."

KOZUE LEON
Irrigation Workshop Attendant

EU offers an array of low-cost adult workshops centered on gardening. Workshop topics include soil and compost, fruit tree care, and growing healthy tomatoes. Most are held at the UEC.

In fiscal year 2019, 655 people participated in the Adult Workshops — that's up from 492 the previous year.

"The instructors are really knowledgeable, I was really impressed," said Kozue. "It's much more proactive to help the residents to do their gardening themselves."

FAMILY EVENTS

The family events that UEC staff host are packed with learning opportunities. That, along with the inviting atmosphere, is why Fatmeh Menhem has attended nearly all of them.

Each year, the UEC and its partners host the Bird and Bug



"They teach the kids that we don't have to waste our water and energy."

FATMEH MENHEM
Parent at Bird and Bug Bonanza

Bonanza, Curby's Waste-a-Palooza, Count Watts' Spooktacular, and Big Trucks Summer. Each highlights a different utility, with the goal of informing and entertaining families.

In 2019, more than 8,000 people attended these free family events.

Fatmeh and her family have experienced three of the four events. Her personal favorite?

"I like [Bird and Bug Bonanza]. It was so much fun," she said. "They teach the kids that we don't have to waste our water and energy."

Curby's Waste-a-Palooza works in messaging from the utilities with a quiz show and a life-size "sewer" that kids are flushed through. The event's mascot, Curby, is a talking trashcan robot who comes with lessons and jokes about waste.

The Bird and Bug Bonanza, held in February, teaches families about water quality and how the decisions you make in your backyard can impact local waterways and wildlife. Children can go through a "creek crawl," build a birdhouse, and meet live birds and bugs. Count Watts' Spooktacular is held in coordination with Roseville Electric Utility each October, and features tours through an interactive Phantom Energy House where families can point out examples of energy waste. Kids often come in costume, and last year the line was upgraded with a graveyard scene and more information on phantom energy.

Another popular event is Big Trucks Summer, which highlights a different utility each week in July. During this event, children get the chance to step behind the wheel of our utility trucks including refuse and vector trucks.

"Anytime there's a garbage truck or anything to do with garbage, that seems to get the kids there," said Larry Winter, recycling and organics coordinator.

Rachel Tooker, supervisor of the UEC, reported a rise in attendance in some of these events. Over a three-year period, Big Trucks Summer grew in attendance by 60 percent, and Bird and Bug Bonanza grew by 46 percent.

Tooker said the UEC also developed a five-year strategic plan and became a member of a national collaborative of museums to learn about their visitors.

Both these steps will help guide the UEC to achieve its goal of teaching families about utilities and conservation.

"If we can build those habits of mind early, that's really going to help us build a strong future for the city," Tooker said.



“If we can build those habits of mind early, that’s really going to help us build a strong future for the city.”

RACHEL TOOKER
Supervisor of the Utility Exploration Center

Creating a better water future for Roseville

Roseville's water supply strategy is simple: encourage customers to save water where they can and develop water infrastructure that will help reduce impacts of changing weather patterns. Despite ample rain fall, our water efficiency staff was hard at work educating and providing rebates that will have long-lasting impacts. Meanwhile, Roseville is using Mother Nature's great work to bank water, which will allow Roseville to increase its water reliability for years to come.

TRADING IN GRASS FOR CASH

Lynda Poulton loves the look and cooling effect of a lush lawn, but knew it was no longer practical.

She's lived in the Sun City retirement community for 11 years and at 81, didn't want to manage her home's expansive lawn anymore.

"I needed a little push to get me going to remove the lawn," she said.

That motivation came in the form of a residential rebate program offered by EU's water efficiency section. The Cash for Grass Program offers an incentive for residents to swap out lawn-heavy landscaping for more water-wise alternative. Since the program began in 2008, nearly two million square feet of turf has been removed from the city's homes and businesses.

The process is simple. Roseville residents can submit an application and if they qualify, water efficiency technician

will do a site visit of the home and measure the lawn. The new landscape design must also be approved by the technician.

The approved conversion must be completed in 120 days. The homeowner receives \$1 for every square foot of turf grass they replaced with water-efficient landscaping, up to \$1,000.

Lynda received the \$1,000 rebate for replacing her landscape, and enjoys the updated look of her yard.

"It's good because I'm not going to be wasting water, which is the key thing, and it looks very neat and tidy," she said.

Poulton added that the process of working with EU staff was seamless.

"It was a very pleasant experience," she said. "The water department was very user-friendly and I just appreciated the fact that there was a rebate program. I mean, that really helps."

Water Efficiency Administrator Bobby Alvarez said they have

"It's good because I'm not going to be wasting water, which is the key thing, and it looks very neat and tidy."

LYNDA POULTON
City of Roseville Homeowner



other programs in place, like free Water Wise House Calls and DIY gardening workshops, that help home and business owners in Roseville learn how to save water. Each program helps water efficiency work toward the state-mandated goal of reducing overall water use 20 percent by 2020. Alvarez said those mandates could change based on new state laws, but it's a goal he's still pursuing.

"If people start using water wisely, and start doing these types of ideas, then that will eventually help us to be able to meet the targets that are mandated from the state," said Alvarez.

BANKING ON THE FUTURE

The drought that lasted much of the 2010s prompted a change in individuals' water consumption habits, but changes have also been made on a larger scale. The City of Roseville is making changes to its groundwater storage systems as it finalizes and enacts its groundwater strategic plan.


A major feature of this plan is making use of the Aquifer

and Storage Recovery, or ASR, groundwater well system. Through a network of six groundwater wells, we're able to store excess water from Folsom Reservoir in the groundwater basin resting underneath the city. This excess water would otherwise have flowed into the ocean.

"We're able to basically take about 950 acre feet of available water from Folsom Reservoir, during a very wet year, and recharge the groundwater basin underlying Roseville," said Sean Bigley, assistant director of the water utility and government relations.

The ability to bank this water also frees up surface water for the city's use and to keep the American River healthy.

"If we recharge the groundwater basin now when water is plentiful, it will serve as a bank of sorts for later use. This will allow us to use the basin for water needs while allowing more surface water from Folsom Lake to flow down the American River for fish and wildlife," Bigley added.



"We're able to basically take about 950 acre feet of available water from Folsom Reservoir, during a very wet year, and recharge the groundwater basin underlying Roseville."

SEAN BIGLEY
Assistant Director of the Water Utility and Government Relations



Environmental Utilities

“We have to monitor the creeks on a weekly basis. We get 31 samples from all around the city. ... [We] bring them back to the lab, test for bacteria [and] show that it’s clean and safe to drink.”

RAJI SUBRAMANIAN
Environmental Utilities Compliance Administrator



Superior customer service, protecting public health

The wastewater utility comprises many men and women to run and operate two wastewater treatment facilities, maintain the conveyance system that transports the water to be cleaned, and checks water quality to ensure the water placed back into the environment meets public health and safety standards.

RINGING IN THE NEW YEAR

EU shows up when it really matters, like when you're having plumbing or sewage issues. Or, when your toddler has flushed an heirloom diamond wedding ring down the toilet.

That was the call the wastewater utility received in early 2019. Members of the collections crew took to the task of checking the toilet, pipes, and in manholes in search of the ring. After several hours, they began to pull the camera out of a pipe, figuring the attempt was fruitless.

As they removed the camera, there was a literal glimmer of hope. It was the reflection of the diamond ring, trapped about 340 feet from the home where it was flushed. They were able to retrieve and return it.

Our wastewater utility maintains nearly 800 miles of pipes, which delivers wastewater to one of the city's two treatment plants. They respond to sewer emergencies 24 hours a day, seven days a week. They encourage people to contact them first before reaching out to (and paying) a contractor to address the issue.

"If there is a problem with the system, we want to get it corrected," said Ken Glotzbach, assistant director who

oversees the wastewater utility. "Call us first and we can make sure our system's working properly."

PROTECTING PUBLIC HEALTH

This division runs the city's two wastewater treatment plants, the newer Pleasant Grove Wastewater Treatment Plant and the Dry Creek Wastewater Treatment Plant. Both plants produce clean, tertiary-treated water that can safely be reused in Roseville. What isn't recycled must be able to be safely released back into local creeks.

Raji Subramanian is the EU compliance administrator. She explained that the wastewater division tests water quality in nearby creeks to ensure each treatment plant is adhering to its permit requirements.

"We have to monitor the creeks on a weekly basis," she said, adding that they also test the water at monitoring stations. "We get 31 samples from all around the city. ... [We] bring them back to the lab, test for bacteria [and] show that it's clean and safe to drink."

The Pleasant Grove Wastewater Treatment Plant also hosts tours and open houses where customers can learn about the wastewater treatment process. UEC staff guide those tours, which are held six times a year.

Protecting the environment, generating energy

The demands placed on EU's solid waste division are ever-changing, but our experienced staff know how to plan for the changes coming down the road. For one thing, the definition of "trash" has changed over time.

"Some things are now considered a resource rather than trash," said Larry Winter, recycling and organics coordinator. "Organic waste is one of them."

Winter heads up Roseville's Organics Recycling Program, which EU put into place as AB1826 was taking effect. That law aims to divert organic waste such as dairy, produce, meat and coffee filters from landfills by requiring businesses to recycle those materials. It's been implemented statewide in phases since 2016 based on the amount of organic waste a business produces.

"Because we're the trash hauler in this area, we had to have a program to help them comply with that mandate," Winter said. The program started small as they mostly educated businesses on the new requirements.

Schools and other public and private institutions are also required to participate in an organics recycling program.

Mohamed Elazazy is food services director for Roseville City School District. He's responsible for food services at the district's 28 sites and when the Organics Recycling Program launched in 2017, three schools implemented the program.

Elazazy said he worked together with Winter to figure out details of the program, like the best time of day for trucks to pick up the organic waste, or ways to avoid health hazards.

"We've worked together throughout the process," he said. "We've been sharing ideas and helping each other."

Elazazy admits it creates a bit more work for his staff, but it's been a positive experience with EU's help. Through the program, they collect an average of about 47 tons of organic waste a week from commercial customers.



"We've worked together throughout the process. We've been sharing ideas and helping each other."

MOHAMED ELAZAZY
Food Service Director

"We are just trying to give our customers the tools that will help them be successful and being compliant with the law," Winter said.

The organic waste is then taken to the Materials Recovery Facility where it's composted into a high-nutrient soil.

"We take this sloppy stuff and when it's all done it looks like this beautiful, rich, dark soil," Winter said.

Devin Whittington, solid waste and stormwater manager, is looking ahead to similar requirements that will divert organic waste generated in homes across the state. He said it will be a significant change to the way his team operates — and public messaging.

"We have to educate 42,000 households (which equates to about 135,000 residents) on how to deal with this material," he said. "Some are going to be very receptive, others won't be."

EU's well-known "One Big Bin" approach for collecting residential waste will likely change as residents will need to sort their own organic waste, he said.

He manages 48 drivers on 35 routes who collect around 100,000 tons of material each year. "We're dealing with green waste, solid waste, hazardous waste, universal waste," said Whittington. In juggling the demands and complexities of



Preparing now for a sustainable future

One thing rings true, the only constant is change in EU. While we work the day-to-day to ensure reliable quality services are maintained, we are also planning now for a sustainable future.

WATER DISTRIBUTION

In fiscal year 2019, the water distribution section has increased its staffing resources and budget to accelerate water infrastructure rehabilitation projects. This means in the coming months and years, Roseville residents will likely see more crews out repairing aging pipes, for example, to protect the city's water delivery reliability. Before deploying the crews to do the work, staff have been strategizing behind the scenes about how to best use the resources for the greatest community benefit.

Using a condition assessment tool that considers factors like a piece of infrastructure's age, material type and the corrosivity of the soil around it, we can determine what needs attention first based on likelihood of failure, with consequences of failure of the infrastructure. The data will help us develop a prioritized list of specific projects to address our most at-risk infrastructure.

The division also worked on developing the Groundwater Strategic Plan during this timeframe, which will inform what kinds of groundwater infrastructure we will need to develop. It includes suggestions like constructing new wells throughout the city over the next decade.

Assistant Director for the Water Utility and Government Relations Sean Bigley said this plan will help hedge against future threats, such as another drought.

"We're always focused on preparing for the future," said Bigley. "[We] make sure the water's always flowing through the tap."

To that end, we're working on building a stronger business relationship with the Sacramento Municipal Utility District as part of our groundwater program. We're developing more local control of the region's water by banking it in our



"We're always focused on preparing for the future. [We] make sure the water's always flowing through the tap."

SEAN BIGLEY
Assistant Director for the Water Utility and Government Relations

EU is taking a proactive approach to workforce development. A career outreach effort is underway to make connections with area high schools and community colleges to raise awareness about careers in the utility field.



groundwater basin so we can utilize and share it with regional partners in drier times. This partnership benefits both cities as well as the health of the American River, as we'll be better able to manage water supplies that help fish habitat and the environment even in times of drought.

DEVELOPING A FUTURE WORKFORCE

In looking down the road, EU does not only follow factors like regulations and aging infrastructure, but must also consider the makeup of our own staff. As a growing group of our employees reach retirement age, we are working on recruitment and outreach efforts.

The recently developed Career Outreach Committee is a small group of current staff who are making connections with the area's high schools and community colleges. The committee is tasked with getting the word out about careers in the utilities.

"A lot of students didn't know what environmental utilities meant," said Sara Feusi, administrative technician and member of the committee. "We're trying to create some tools that will help them understand."

During fiscal year 2019, she represented EU at two high school career days to expose students to that career path. The plan down the line is to develop opportunities such as internship programs, tours, and job shadowing for high schoolers and community college students. They also want to create an outreach website and marketing materials that target that age group.

"The city is going through a phase where there's a lot of people getting ready to retire," said Bobby Alvarez, water efficiency administrator. "We really have to ... do that outreach to get quality people."

Rachel Tooker is the UEC supervisor, which focuses on educating younger children about utilities and stewardship. She has served on the committee since it was formed.

"We want to continue to get the word out that utility careers are great careers," she said.

UPDATING THE ROADMAP

To better serve their guests, the team behind the UEC knows that they must first better understand them. For years they have collected feedback from the teachers, parents and children they serve. Now, they're beginning to learn about their audiences in new and substantive ways.

This year, the UEC joined the Collaboration for Ongoing Visitor Experience Studies, also known as COVES. It's a one-of-a-kind museum network with 31 participants from Los Angeles to Queens, and one in British Columbia. Through visitor surveys, this diverse group of museums can "systematically collect, analyze, and report on visitor experience data," according to the COVES website.

"This is basically giving us great information about our visitors, where they're coming from, and how they are understanding the work of our utilities" explained UEC Supervisor Rachel Tooker. "The partnership with COVES allows us to compare our visitors' responses to visitors at other museums and be proactive about ensuring excellent visitor experiences."

That information will help inform the UEC's long-term projects, such as exhibit upgrades.

The UEC also released a five-year strategic plan that details its strengths and opportunities as well as their strategic initiatives. Those include delivering outstanding utility education, providing reliable and efficient services, and

empowering the workforce for great performance.

By taking stock of our last 10 years of work, we are laying the strong foundation for the next decade.

EXPANDING COMMERCIAL PARTNERSHIPS

In 2018, we set out to connect with businesses that could benefit from our water efficiency commercial rebate program. The program offers businesses a financial incentive to make updates and upgrades to their facilities to be more water-efficient. This can include projects to save water used on landscaping, update inefficient restaurant equipment or alter production processes to make the most of the resource. We'll even work with businesses on customized rebates, which can save money for industrial, commercial, or institutional customers looking to embark on a long-term retrofitting project.

TSI Semiconductors is a Roseville-based tech company that conducts research and development and mass production of semiconductor-based products for customers. Its foundry manufactures products for "standard and specialty technologies" for industries from automotive to aerospace.

Part of TSI's 40-acre facility is the ultra-pure water plant that

is integral to the production process. The water treatment system recycles some of the water used in this process, but TSI's staff facilities engineer Evan Johnson said they wanted to include more water in that closed-loop system.

"I was looking for a project that was very purely about saving water and that needed a little 'help' to get off the ground," Johnson said. Adding that the rebate program was just what they were looking for. "Honestly it was a no-brainer for us."

They signed on for the rebate program in 2018, which will cover some of the cost to modify the drainage systems of TSI's wet benches. The wet bench takes in silicon wafers and dips them into a small bath of chemical. Afterwards, the wafers are dipped into a bath of ultra-pure water, which is continuously refreshed, and often into a second bath, to ensure the product has been thoroughly rinsed.

"This is just one part of the semiconductor manufacturing process but it's the most water-intensive," Johnson explained.

Currently, the closed-loop system utilizes the excess water from only the last rinse. It was thought that only that water would be clean enough to treat and re-use as ultra-pure water. After some in-house research, however, TSI found that it was possible to use the water from the first rinse as well.



"This is just one part of the semiconductor manufacturing process but it's the most water-intensive," Johnson explained."

EVAN JOHNSON
Staff Facilities Engineer for TSI



“To boost the amount of gas generation and increase electricity production, we constructed a new station to receive Fats, Oils, and Grease (FOG) collected from local restaurants.”

TODD JORDAN
Process Engineer

The project will modify the drainage system to capture and treat that water.

Thanks to that research — and the commercial rebate — the updates should be in place by spring 2020.

“Once implemented, we will be able to save thousands of gallons of water per day,” Johnson said. “[It’s a] win-win for all.”

GENERATING ENERGY WITH BIOSOLIDS AND RESTAURANT GREASE

In fiscal year 2019, we began constructing a new energy producing facility at our Dry Creek Wastewater Treatment Plant (DCWWTP) where we operate two anaerobic digesters as part of the treatment plant process.

The goal of the project is to take the biogas generated by this process and maximize its use. Currently, we use biogas in a limited scope, using it to fuel an engine-driven blower as part of the wastewater treatment process. The balance of the gas is flared (combusted) and simply wasted. We didn’t harvest it for heat or energy.

The project will include a cogeneration facility at the DCWWTP, where gas from the plant fuels a generator that’ll produce about 400kw of electricity for plant use. If you can imagine, energy usage at a wastewater plant is typically one of the top three expenses annually since it is an extensive process to purify, treat and discharge the water back into the environment.

What is cogeneration? It’s an effective means of achieving cost savings for wastewater treatment plants. Cogeneration, also known as combined heat and power, is the concurrent production of electricity and heat from a single source of energy.

“To boost the amount of gas generation and increase electricity production, we constructed a new station to receive Fats, Oils, and Grease (FOG) collected from local restaurants,” said Todd Jordan, process engineer. “Taking energy-laden FOG is easily digestible and has energy rich compounds that boosts gas production up to 30 percent.”

The cost of the Cogeneration Project was \$8,000,000. We were able to obtain nearly \$700,000 in grant funding from the PG&E Self-Generation Incentive Program. Energy offsets and other funding expected from energy generation credits will reduce annual operating costs by \$300,000.



**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
ENVIRONMENTAL UTILITIES
ENTERPRISE FUNDS
CITY OF ROSEVILLE, CALIFORNIA**

**CITY OF ROSEVILLE ENVIRONMENTAL
UTILITIES ENTERPRISE FUNDS**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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Independent Auditor's Report

Public Utilities Commission
Environmental Utilities Department
City of Roseville, California

Report on Financial Statements

We have audited the accompanying financial statements of Environmental Utilities Enterprise Funds (Funds) of the City of Roseville, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Utilities Enterprise Funds of the City, as of June 30, 2019, 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.

Emphasis of Matter

Fund Financial Statements

As discussed in note 1, the financial statements present only the Environmental Utilities Enterprise Funds of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the City's Miscellaneous Plan net pension liability, schedule of pension contributions, the schedule of proportionate share of the City's net OPEB liability, and the schedule of OPEB contributions on pages 40 through 43 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.

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Environmental Utilities Enterprise Funds' basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate 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 combining fund financial statements 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 18, 2019, on our consideration of the Funds' 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 Funds' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 18, 2019

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Enterprise Funds			Total
	Water	Wastewater	Solid Waste	
ASSETS				
Current Assets:				
Cash and investments in City Treasury	\$ 103,399,779	\$ 62,189,950	\$ 29,617,542	\$ 195,207,271
Restricted cash and investments with fiscal agents	9,593,495	-	-	9,593,495
Receivables:				
Accounts, net of allowance for doubtful accounts	5,630,326	5,781,064	2,844,373	14,255,763
Accrued interest	552,262	322,767	153,193	1,028,222
Due from other government agencies	32,348	-	-	32,348
Notes	65,654	-	-	65,654
Inventories	3,163,385	105,538	177,924	3,446,847
Total Current Assets	<u>122,437,249</u>	<u>68,399,319</u>	<u>32,793,032</u>	<u>223,629,600</u>
Noncurrent Assets:				
Investments in SPWA reserves	-	92,028,632	-	92,028,632
Capital assets:				
Land and construction in progress	6,683,310	36,675,071	1,077,095	44,435,476
Capital assets being depreciated, net	497,225,923	567,390,351	2,882,403	1,067,498,677
Total Noncurrent Assets	<u>503,909,233</u>	<u>696,094,054</u>	<u>3,959,498</u>	<u>1,203,962,785</u>
Total Assets	<u>626,346,482</u>	<u>764,493,373</u>	<u>36,752,530</u>	<u>1,427,592,385</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,874,512	575,878	-	2,450,390
Accumulated decrease in fair value of hedging derivative	-	872,530	-	872,530
Deferred outflows related to OPEB	370,000	868,000	462,000	1,700,000
Deferred outflows related to pensions	5,110,046	4,123,784	2,373,192	11,607,022
Total Deferred Outflows of Resources	<u>7,354,558</u>	<u>6,440,192</u>	<u>2,835,192</u>	<u>16,629,942</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	1,042,333	4,316,558	777,244	6,136,135
Accrued liabilities	383,488	375,605	229,510	988,603
Due to other government agencies	-	-	-	-
Current portion of compensated absences	456,259	706,413	361,227	1,523,899
Current portion of long-term debt	2,560,000	3,180,073	-	5,740,073
Deposits	85,000	-	-	85,000
Unearned revenue	627,321	24,321	27,470	679,112
Total Current Liabilities	<u>5,154,401</u>	<u>8,602,970</u>	<u>1,395,451</u>	<u>15,152,822</u>
Long-Term Liabilities:				
Long-term debt, non-current portion	35,416,608	100,337,536	-	135,754,144
Landfill closure and post closure liability	-	-	1,404,323	1,404,323
Compensated absences	778,884	1,402,876	659,859	2,841,619
Derivative at fair value	-	872,530	-	872,530
Net OPEB liability	5,865,000	11,159,000	9,376,000	26,400,000
Net pension liability	20,140,054	23,923,802	12,527,475	56,591,331
Total Long-Term Liabilities	<u>62,200,546</u>	<u>137,695,744</u>	<u>23,967,657</u>	<u>223,863,947</u>
Total Liabilities	<u>67,354,947</u>	<u>146,298,714</u>	<u>25,363,108</u>	<u>239,016,769</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	2,635,000	-	340,000	2,975,000
Deferred inflows related to pensions	498,391	594,706	309,635	1,402,732
Total Deferred Outflows of Resources	<u>3,133,391</u>	<u>594,706</u>	<u>649,635</u>	<u>4,377,732</u>
NET POSITION				
Net investment in capital assets	467,807,137	500,547,813	3,959,498	972,314,448
Restricted for debt service	4,134,075	5,516,260	-	9,650,335
Unrestricted	91,271,490	117,976,072	9,615,481	218,863,043
Total Net Position	<u>\$ 563,212,702</u>	<u>\$ 624,040,145</u>	<u>\$ 13,574,979</u>	<u>\$ 1,200,827,826</u>

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
OPERATING REVENUES				
Charges for services	\$ 32,137,257	\$ 43,315,989	\$ 25,083,954	\$ 100,537,200
Other	713,852	73,408	143,223	930,483
Total Operating Revenues	<u>32,851,109</u>	<u>43,389,397</u>	<u>25,227,177</u>	<u>101,467,683</u>
OPERATING EXPENSES				
Operations	17,192,514	24,368,030	21,200,501	62,761,045
Administration	2,612,178	4,886,026	2,686,995	10,185,199
Depreciation and amortization	9,690,889	12,135,623	243,680	22,070,192
Total Operating Expenses	<u>29,495,581</u>	<u>41,389,679</u>	<u>24,131,176</u>	<u>95,016,436</u>
Operating Income (Loss)	<u>3,355,528</u>	<u>1,999,718</u>	<u>1,096,001</u>	<u>6,451,247</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and rents revenue	3,880,914	2,556,854	1,140,857	7,578,625
Interest and fiscal charges (expense)	(1,943,216)	(977,564)	-	(2,920,780)
Gain (loss) from sale of property	(79,866)	(258,763)	-	(338,629)
Subventions and grants	154,973	-	-	154,973
Increase (decrease) in SPWA reserves	-	(15,029,222)	-	(15,029,222)
Net Nonoperating Revenues (Expenses)	<u>2,012,805</u>	<u>(13,708,695)</u>	<u>1,140,857</u>	<u>(10,555,033)</u>
Income (Loss) Before Contributions and Transfers	5,368,333	(11,708,977)	2,236,858	(4,103,786)
Capital contributions - connection/impact fees	8,465,028	9,430,111	520,910	18,416,049
Capital contributions from developers and governmental activities	20,277,287	18,879,206	140,752	39,297,245
Transfers in	1,223,937	494,832	61,882	1,780,651
Transfers (out)	(2,113,184)	(2,689,537)	(779,921)	(5,582,642)
Total contributions and transfers	<u>27,853,068</u>	<u>26,114,612</u>	<u>(56,377)</u>	<u>53,911,303</u>
Change in Net Position	33,221,401	14,405,635	2,180,481	49,807,517
Total net position-beginning	<u>529,991,301</u>	<u>609,634,510</u>	<u>11,394,498</u>	<u>1,151,020,309</u>
Total net position-ending	<u>\$ 563,212,702</u>	<u>\$ 624,040,145</u>	<u>\$ 13,574,979</u>	<u>\$ 1,200,827,826</u>

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 33,502,908	\$ 44,060,746	\$ 25,053,394	\$ 102,617,048
Payments to suppliers	(19,729,035)	(23,458,910)	(21,372,604)	(64,560,549)
Payments to employees	(4,280,591)	(1,799,434)	(1,107,321)	(7,187,346)
Other receipts	713,852	73,408	143,223	930,483
Net Cash Provided by Operating Activities	<u>10,207,134</u>	<u>18,875,810</u>	<u>2,716,692</u>	<u>31,799,636</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	390,783	-	-	390,783
(Increase) decrease in advances from other funds	-	515,802	-	515,802
Transfers in	1,223,937	494,832	61,882	1,780,651
Transfers (out)	(2,113,184)	(2,689,537)	(779,921)	(5,582,642)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(498,464)</u>	<u>(1,678,903)</u>	<u>(718,039)</u>	<u>(2,895,406)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,801,046)	(14,571,088)	(76,241)	(16,448,375)
Issuance of debt	-	4,831,668	-	4,831,668
Acquisition of restricted assets	176,537	-	-	176,537
Transfers to other governmental agencies	-	(3,283,334)	-	(3,283,334)
(Issuances) and payments on notes receivables	8,754	-	-	8,754
Principal paid on capital debt	(2,435,000)	(2,963,763)	-	(5,398,763)
Interest paid on capital debt	(2,234,770)	(2,281,982)	-	(4,516,752)
Connection fees	8,465,028	9,430,111	520,910	18,416,049
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>2,179,503</u>	<u>(8,838,388)</u>	<u>444,669</u>	<u>(6,214,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	3,760,827	2,529,778	1,115,844	7,406,449
Transfer of connection fees to SPWA	-	(9,407,213)	-	(9,407,213)
Cash Flows from Investing Activities	<u>3,760,827</u>	<u>(6,877,435)</u>	<u>1,115,844</u>	<u>(2,000,764)</u>
Net increase in cash and cash equivalents	15,649,000	1,481,084	3,559,166	20,689,250
Cash and cash equivalents at beginning of period	<u>87,750,779</u>	<u>60,708,866</u>	<u>26,058,376</u>	<u>174,518,021</u>
Cash and equivalents at end of period	<u>\$ 103,399,779</u>	<u>\$ 62,189,950</u>	<u>\$ 29,617,542</u>	<u>\$ 195,207,271</u>

(Continued)

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income	\$ 3,355,528	\$ 1,999,718	\$ 1,096,001	\$ 6,451,247
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	9,690,889	12,135,623	243,680	22,070,192
OPEB expense	(587,000)	(94,000)	(963,000)	(1,644,000)
Pension expense	(709,271)	3,273,969	1,103,922	3,668,620
Changes in assets and liabilities:				
Receivables, net	711,330	720,436	(58,030)	1,373,736
Inventories	(2,674,148)	8,541	(3,966)	(2,669,573)
Accounts and other payables	(207,515)	807,202	1,270,615	1,870,302
Unearned revenues	627,321	24,321	27,470	679,112
Net Cash provided by Operating Activities	<u>\$ 10,207,134</u>	<u>\$ 18,875,810</u>	<u>\$ 2,716,692</u>	<u>\$ 31,799,636</u>
NONCASH TRANSACTIONS				
Changes in fair value of derivative		<u>\$ 18,411</u>		
Contributions of capital assets from governmental activities	<u>\$ 197,056</u>	<u>\$ -</u>	<u>\$ 140,751</u>	<u>\$ 337,807</u>
Contribution of Capital Assets	<u>\$ 20,080,231</u>	<u>\$ 18,698,848</u>		<u>\$ 38,779,079</u>
Amortization of bond premium	<u>\$ 461,964</u>	<u>\$ 728,540</u>		<u>\$ 1,190,504</u>
Amortization of deferred amount on refunding	<u>\$ (170,410)</u>			<u>\$ (170,410)</u>

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 – Summary of Significant Accounting Policies

A. General

The City of Roseville – Environmental Utilities Enterprise Funds (Funds) are enterprise funds of the City of Roseville (City) that own and operate the water, wastewater, and solid waste systems and provide these services to the businesses and residents of the City. The Funds are under the policy control of the City Council. The accompanying financial statements only reflect the activity of the Funds. The Funds are an integral part of the City and the Funds' financial statements are included in the basic financial statements of the City.

The financial statements are intended to reflect the financial position and changes in financial position and cash flows of the Funds only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position, or, its cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

B. Basis of Presentation

The financial statements of the Funds 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.

The Funds include the following funds:

Water Funds – These funds account for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville. The Water Funds include the Water Operations, Water Construction, Water Rehabilitation, Water Meter Retrofit, Water Rate Stabilization, Water Technical Services, and Utility Exploration Center Funds.

Wastewater Funds – These funds account for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville. The Wastewater Funds include the Wastewater Operations, Wastewater Construction, Wastewater Rehabilitation and Wastewater Rate Stabilization Funds.

Solid Waste Funds – These funds account for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville. The Solid Waste Funds include the Solid Waste Operations, Solid Waste Capital Purchases, Solid Waste Rehabilitation and Solid Waste Rate Stabilization Funds.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Funds are accounted for as enterprise funds (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

D. Cash and Investments

Cash and investments with original maturities of three months or less are treated as cash and equivalents for purpose of preparing the statements of cash flows. Also, each Fund's portion of the City's overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits. Further information related to the City's cash and investment pool can be found in the City's Comprehensive Annual Financial Report.

E. Inventories

Inventories are valued at cost, using the weighted-average method and consist primarily of merchandise held for internal consumption.

F. Deposits from Customers

Deposits from Customers may be required by the Funds from commercial and residential customers when they establish their account as specified in section 14.04.030 of the City's Municipal Code. Significant customer deposits may be held in the form of certificates of deposit, in the City's name with the interest paid to the customer.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Funds have four items that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The accumulated decrease in the fair value of hedging derivatives 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. The deferred outflows related to pensions are described in note 6. The deferred outflows related to OPEB are described in note 7.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. 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. The Funds have two items that qualify for reporting in this category. The deferred inflows related to pensions are described in note 6. The deferred inflows related to OPEB are described in note 7.

H. Revenue Recognition and Classification of Revenues

Revenues are recognized when earned based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are twenty-two billing cycles per month which include all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued.

Contributions of cash or assets to proprietary funds from state and federal agencies, developers and others are recorded as revenue when earned.

Operating revenues consist mainly of charges for services. Operating revenues are used to finance the cost of operations, including the cost of delivering and providing services, maintenance and recurring capital replacement. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

Compensated Absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Changes in compensated absences payable in the Funds consist of the following:

Beginning Balance	\$ 3,990,457
Additions	1,143,374
Payments	<u>(768,313)</u>
Ending Balance	<u>\$ 4,365,518</u>
Current Portion	<u>\$ 1,523,899</u>

J. 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 and liabilities 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.

K. Fair Value Measurement

The funds categorize the fair value measurements of their 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.

L. Pensions

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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Other postemployment benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Roseville Retiree Healthcare Plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed. The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is calculated using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets:

	<u>Useful Lives</u>	<u>Capitalization Thresholds</u>
Buildings	20-40 years	no threshold
Improvements	40 years	no threshold
Machinery and Equipment	3-12 years	\$5,000
Flood Control Improvements	75 years	no threshold
Plants and Substations:		
Sewer	15-60 years	no threshold
Water	15-75 years	no threshold
Distribution Systems:		
Sewer	75 years	no threshold
Water	75 years	no threshold

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

O. *Net Position*

Net Position is the excess of a fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into three categories described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the capital assets, less the outstanding balance of any debt issued to finance these assets.

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 City cannot unilaterally alter. 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 restricted as to use.

P. *New Accounting Pronouncements*

Effective in Fiscal Year

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statements users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The City has implemented this Statement effective July 1, 2018.

GASB Statement No. 88 – In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The City has implemented this Statement effective July 1, 2019.

Effective in Future Fiscal Years

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The City has not determined the effect on the financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1 – Summary of Significant Accounting Policies (Continued)

P. New Accounting Pronouncements (Continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the financial statements.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the financial statements.

GASB Statement No. 90 – In September 2018, the GASB issues Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2018. The City has not determined the effect on the financial statements.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method for reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement is effective for reporting periods beginning after December 15, 2020. The City has not determined the effect on the financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2 – Cash and Investments

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The City 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 City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the trust department of a bank as the custodian of all City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and investments in City Treasury	\$ 195,207,271
Restricted cash and investments with fiscal agent	9,593,495
Total Cash and Investments	<u>\$ 204,800,766</u>

A. Classification

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

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$ 600
City pooled cash and investments	195,206,671
Investments	9,593,495
Total Cash and Investments	<u>\$ 204,800,766</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2 – Cash and Investments (Continued)

B. Investments Authorized by the California Government Code and the City’s Investment Policy

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality at Time of Purchase	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations (A)	5 Years	None	None	None
U.S. Agency Securities(A)	5 Years	None	None	None
Mortgage Pass-Through Securities	5 Years	AA	20%	None
Forward Delivery Agreements	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	1 Year	None	None	None
Bankers' Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1	25%	10% (B)
Medium-Term Notes	5 Years	A	30%	None
Collateralized Time Deposits	5 Years	None	30%	None
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	\$65 million/account
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
Shares in a California Common Law Trust	N/A	None	None	None
Interest Rate Swaps (C)	N/A	None	None	None
Supranationals	5 Years	AA	30%	None

(A) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities.

(B) Eligible Commercial Paper may not represent more than 10% of the outstanding paper of an issuing corporation.

(C) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments, not the General Fund.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

The City 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 reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. 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:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quantity
U.S. Treasury Obligations (A)	N/A	None
U.S. Agency Securities (A)	N/A	None
Money Market Funds	N/A	AAAm-G
Certificates of Deposit	360 days	None to A-1
Savings Accounts, Deposit Accounts (fully insured)	N/A	None
Investment Agreements	N/A	A+ to AA
State or Municipality Bonds/Notes	N/A	One of two highest rating categories
Federal Funds or Bankers' Acceptances	270 days	None to A-1
Commercial Paper (B)	270 days	A-1 to AA
Local Agency Investment Fund (LAIF)	N/A	None
California Asset Management Program	N/A	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 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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 City also manages its interest rate risk by holding most investments to maturity.

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

	<u>Remaining Maturity (in Months)</u>	
	<u>12 Months or Less</u>	<u>Total</u>
Investments held with fiscal agent:		
Money Market Mutual Funds	<u>\$ 9,593,495</u>	<u>\$ 9,593,495</u>
 Total Investments	 <u><u>\$ 9,593,495</u></u>	 <u><u>\$ 9,593,495</u></u>

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

All of the City’s investments in securities are held in the name of the City and held at the location of the City’s third party custodian. Therefore, the City is not exposed to custodial credit risk.

F. 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, 2019, for each investment type as provided by Standard and Poor’s investment rating system:

	<u>AAA/AAAm</u>	<u>Total</u>
<i>Investments:</i>		
Money Market Mutual Funds	<u>\$ 9,593,495</u>	<u>\$ 9,593,495</u>
 Total Investments	 <u><u>\$ 9,593,495</u></u>	 <u><u>\$ 9,593,495</u></u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2 – Cash and Investments (Continued)

G. Fair Value Measurements

The Funds categorize their 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 in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The cash and investments held by the City are not categorized.

The Funds have the following recurring fair value measurements as of June 30, 2019:

	<u>Level 2</u>
Money Market Mutual Funds	<u>\$ 9,593,495</u>
Total Investments	<u><u>\$ 9,593,495</u></u>

Pooled cash and investments

The Funds’ cash balance was pooled with various other City funds for deposit and investment purposes. The City’s treasury is responsible for the cash management of the Fund’s cash balance, which pools available cash for investment purposes. Each City fund owns a share of pooled cash and investments, which are separately maintained, and interest income was apportioned based on its average month-end cash balances to the total of the pooled cash and investments.

The Funds’ pooled cash and investments balance at June 30, 2019 is \$195,206,671. The deposit and investment disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are reported in the annual report of the City. The Fund recognizes its position in the City investment pool at fair value based on information provided by the City. Deposits and withdrawals to the pool are made on the basis of \$1 and not fair value. Accordingly, the inputs used to measure fair value are uncategorized and not defined as Level 1, Level 2 or Level 3. Additional information regarding interest rate risk, concentration of credit risk, custodial credit risk and fair value measurements of the City’s pooled cash and investments is presented in the City’s Comprehensive Annual Financial Report.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 3 – Interfund Transactions

A. Transfers Among Funds and with Other City Funds

With City Council approval, resources may be transferred from one fund to another. Transfers between funds during the fiscal year ended June 30, 2019, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
Water Operations	City of Roseville - General Fund	\$ 1,237	(B)
	Water Construction	564,757	(B)
	Water Technical Services	6,183	(B)
	Utility Exploration Center	30,134	(B)
	Wastewater Operations	18,250	(A), (B), (C)
	Wastewater Rehabilitation	65,395	(B)
Water Construction	Water Operations	101,215	(B)
	Wastewater Rehabilitation	48,233	(B)
Water Rehabilitation	Water Operations	3,851,229	(D)
	Water Technical Services	25,000	(D)
	Wastewater Rehabilitation	1,084,951	(D)
	Solid Waste Rehabilitation	1,468	(D)
	City of Roseville - Electric Fund	4,403	(D)
Water Rate Stabilization	Water Operations	500,000	(B)
Wastewater Operations	Water Operations	7,191	(A)
	Utility Exploration Center	30,115	(A), (B)
	Wastewater Rehabilitation	128,205	(B)
Wastewater Rehabilitation	Water Rehabilitation	457,526	(D)
	Wastewater Operations	8,010,980	(D)
Wastewater Rate Stabilization	Wastewater Operations	1,250,000	(B)
Solid Waste Operations	Water Operations	6,749	(A)
	Utility Exploration Center	30,134	(A)
	Wastewater Operations	24,999	(A)
Solid Waste Rehabilitation	Solid Waste Operations	565,623	(A), (B)
Solid Waste Rate Stabilization	Solid Waste Operations	100,000	(B)
Gross Transfers In		16,913,977	
	Intrafund Eliminations	(15,133,326)	
	Total Transfers In	1,780,651	

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

A. Transfers Among Funds and with Other City Funds (Continued)

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
City of Roseville General Fund	Water Operations	439	(A), (B), (D)
	Water Construction	9,477	(A), (D)
	Wastewater Operations	4,344	(A), (B), (D)
	Wastewater Rehabilitation	5,509	(A), (C)
	Solid Waste Operations	1,966	(A), (B), (D)
City of Roseville Non-Major Governmental Funds	Water Operations	754,503	(C)
	Utility Exploration Center	13,439	(C)
	Water Rehabilitation	216,962	(C)
	Wastewater Operations	686,545	(C)
	Wastewater Rehabilitation	192,209	(C)
	Solid Waste Operations	301,453	(C)
	Solid Waste Rehabilitation	176,583	(C)
City of Roseville Electric Fund	Utility Exploration Center	90,383	(A)
City of Roseville Internal Service Funds	Water Operations	414,976	(A)
	Water Meter Retrofit	985	(A)
	Water Technical Services	80,305	(A)
	Wastewater Operations	559,102	(A)
	Solid Waste Operations	298,451	(A)
Gross Transfers Out		\$ 5,588,282	
	Less: Transfers In from City of Roseville Funds	(5,640)	
	Total net transfers out	<u>\$ 9,927,769</u>	

- (A) To pay for indirect costs
- (B) To fund utility impact reimbursement, indirect costs or capital projects
- (C) To fund various projects and/or pay debt services
- (D) To fund operations or indirect costs

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 3 – Interfund Transactions (Continued)

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2019, interfund balances comprised the following:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Water Construction	Water Operations	\$ 385,000
	Water Rehabilitation	261,390
		<u>646,390</u>
	Intrafund Eliminations	(646,390)
	Total	<u>\$ -</u>

These amounts are the current portion of the advances mentioned below.

Long-Term Interfund Advances

At June 30, 2019, the funds below had made advances which were not expected to be repaid within the next year.

<u>Fund Making Advance</u>	<u>Fund Receiving Advance</u>	<u>Amount</u>
Water Construction	Water Operations	\$ 3,845,000
	Water Rehabilitation	823,210
		4,668,210
	Intrafund Eliminations	<u>(4,668,210)</u>
	Total	<u>\$ -</u>

Water Rehabilitation advance bears interest of 2.42 percent. It will be repaid over a period of 20 years ending in 2023.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 4 – Capital Assets

A. Capital Asset Additions, Retirements, and Transfers

Capital assets at June 30, 2019 comprise:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 5,784,164	\$ -	\$ -	\$ -	\$ 5,784,164
Construction in progress	31,753,932	17,780,932	-	(10,883,552)	38,651,312
Total Capital Assets Not Being Depreciated	37,538,096	17,780,932	-	(10,883,552)	44,435,476
Capital assets, being depreciated:					
Buildings	4,501,670	-	-	-	4,501,670
Improvements	4,153,951	-	-	30,000	4,183,951
Machinery and equipment	9,441,325	270,909	-	775,052	10,487,286
Flood control	8,830,439	-	-	-	8,830,439
Plants and substations	294,695,528	-	(6,913,490)	9,774,194	297,556,232
Distribution	1,097,924,161	38,791,367	(161,431)	304,306	1,136,858,403
Total Capital Assets Being Depreciated	1,419,547,074	39,062,276	(7,074,921)	10,883,552	1,462,417,981
Less accumulated depreciation for:					
Buildings	(1,147,269)	(109,904)	-	-	(1,257,173)
Improvements	(751,160)	(115,654)	-	-	(866,814)
Machinery and equipment	(4,212,743)	(992,216)	-	-	(5,204,959)
Flood control	(765,304)	(117,740)	-	-	(883,044)
Plants and substations	(114,812,596)	(6,403,143)	6,677,426	-	(114,538,313)
Distribution	(256,798,744)	(15,429,123)	58,866	-	(272,169,001)
Total Accumulated Depreciation	(378,487,816)	(23,167,780)	6,736,292	-	(394,919,304)
Net Capital Assets Being Depreciated	1,041,059,258	15,894,496	(338,629)	10,883,552	1,067,498,677
Environmental Utilities Enterprise Funds Capital Assets, net	<u>\$ 1,078,597,354</u>	<u>\$ 33,675,428</u>	<u>\$ (338,629)</u>	<u>\$ -</u>	<u>\$ 1,111,934,153</u>

B. Depreciation Allocation

Depreciation expense is charged to individual enterprise funds based on their usage of the related assets. The amount allocated to each individual fund is as follows:

Water Operations	\$ 7,519,388
Water Construction	1,698,651
Water Rehabilitation	290,468
Water Meter Retrofit	472,025
Water Technical Services	1,914
Wastewater Operations	5,873,198
Wastewater Construction	6,353,744
Wastewater Rehabilitation	714,712
Solid Waste Operations	208,963
Solid Waste Capital Purchases	22,625
Solid Waste Rehabilitation	12,092
Total Environmental Utilities Enterprise Funds	<u>\$ 23,167,780</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 5 – Long-Term Debt

The Funds generally incur long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Certificates of Participation:						
2015 Water Utility Revenue 2.00% - 5.00%, due 12/1/29	\$ 42,565,000	\$ 35,330,000	\$ -	\$ (2,435,000)	\$ 32,895,000	\$ 2,560,000
Add: bond premium	6,899,891	5,543,572	-	(461,965)	5,081,607	-
Total Certificates of Participation	<u>49,464,891</u>	<u>40,873,572</u>	<u>-</u>	<u>(2,896,965)</u>	<u>37,976,607</u>	<u>2,560,000</u>
Revenue Bonds:						
2011 Refunding Wastewater Revenue Bonds, Series C 1.00-5.25%, due 11/1/25	36,315,568	9,125,680	430,680	(2,963,763)	6,592,597	3,180,073
Add: bond premium	2,839,017	473,030	22,324	(172,574)	322,780	-
2017 Refunding Wastewater Revenue Bonds 5%, due 11/1/37	46,109,348	46,109,348	2,176,098	-	48,285,446	-
Add: bond premium	10,618,219	10,087,308	476,063	(555,965)	10,007,406	-
Total Revenue Bonds	<u>95,882,152</u>	<u>65,795,366</u>	<u>3,105,165</u>	<u>(3,692,302)</u>	<u>65,208,229</u>	<u>3,180,073</u>
Direct Placement Debt:						
2013 Refunding Wastewater Revenue Bonds variable rate, due 11/1/35	36,582,878	36,582,878	1,726,503	-	38,309,381	-
Total Environmental Utilities Enterprise Funds Debt:	<u>\$ 181,929,921</u>	<u>\$ 143,251,816</u>	<u>\$ 4,831,668</u>	<u>\$ (6,589,267)</u>	<u>\$ 141,494,217</u>	<u>\$ 5,740,073</u>

B. 2015 Water Utility Revenue Refunding Certificates of Participation

On August 20, 2015, the Roseville Finance Authority issued the Water Revenue Certificates of Participation, Series 2015, in the principal amount of \$42,565,000 to refund the 2007 Water Utility Certificates of Participation. The certificates bear interest at 2.00 percent to 5.00 percent and are due semi-annually on December 1 and June 1 of each year. The certificates are repayable by a pledge of net revenue from the Water Utility System. Principal payments are due annually on December 1 through 2030.

As of June 30, 2019, the total principal and interest remaining to be paid on the certificates was \$41,815,225. As disclosed in the official statement, all net revenues of the Water Utility System are expected to provide coverage over debt service of 120 percent over the life of the certificates. For fiscal year 2019 net revenues amounted to \$27,467,010 which represented coverage of 667 percent over the \$4,378,216 in debt service. The balance outstanding as of June 30, 2019, was \$32,895,000.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 5 – Long-Term Debt (Continued)

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

On April 7, 2011, the South Placer Wastewater Authority (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 amount of \$67,040,000 and \$30,000,000, respectively. The City's share of this obligation was determined to be 54.17 percent when the bonds were issued. The Authority amended the Funding Agreement and the members entered into a Reallocation and Repayment Agreement during fiscal year 2012 which changed the proportionate share of the member obligations prospectively effective October 1, 2012. The Authority once again amended the funding agreement in January 2019 to update the percentage allocations. As a result, the City's share of the obligation increased to 64.57 percent and the liability for the 2011C Bonds were increased \$430,680.

The 2011C Bonds bear interest at 1.00 percent-5.25 percent 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 2025. The balance outstanding as of June 30, 2019 was \$6,592,597.

D. 2013 South Placer Wastewater Authority Refunding Revenue Bonds

On April 1, 2013, the Authority entered into a direct placement agreement with U.S. Bank for the purchase of the 2013 Bonds. As of June 30, 2019, the Authority's outstanding debt from direct borrowing of \$59,330,000 are subject to special redemption prior to their respective dates of maturity by the Authority upon written notice. There is no provision for early redemption by U.S. Bank.

The bonds are secured by a pledge of a portion revenue from the Authority's connection and impact fees paid by each of the Authority participants as a result of real estate development that is sufficient to pay the principal and interest on the debt. The revenues may not be used for any other purpose while any of the bonds remain outstanding. The continuing covenant agreement for the bonds includes a provision that in an event of default, the repayment of the outstanding principal plus any accrued interest becomes immediately due. The terms of this agreement expire on April 1, 2020, at which time, the Authority may negotiate to renew the terms of the agreement, find an alternative security, or pay off the outstanding balance of the debt. As described in more detail in Note 9, effective January 31, 2019, the City's proportionate share of the obligation increased to 64.57 percent. As a result, the City's share of the 2013 obligation increased by \$1,726,503. The City's share of the balance outstanding as of June 30, 2019, is \$38,309,381.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 5 – Long-Term Debt (Continued)

D. 2013 South Placer Wastewater Authority Refunding Revenue Bonds (Continued)

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 percent, 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 percent). The interest rate of the Bonds cannot exceed 12 percent 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, 2019 was 2.271 percent. 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 2008 B 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 was based on the notional amount of the 2008 B Bonds. The interest rate swap was again amended in September 2017 to reduce the notional amount. 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 2011C and 2013 Bonds at June 30, 2019 was 4.183 percent.

E. South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series 2017

On September 28, 2017, the South Placer Wastewater Authority issued Revenue Bonds, Series 2017 in the amount of \$74,780,000 to partially refund the Authority's Wastewater Revenue Refunding Bonds, Series 2011C, fully refund the Authority's Wastewater Revenue Refunding Bonds, Series 2014 and partially finance the 2017 Project, Pleasant Grove Plant improvements. The City's share of this obligation was determined to be 61.66 percent or \$46,109,348. As described in more detail in Note 9, effective January 31, 2019 the City's proportionate share of the obligation increased to 64.57%. As a result, the City's share of the 2017 obligation increased by \$2,176,098. 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 City's share of the balance outstanding as of June 30, 2019 is \$48,285,446.

F. Wastewater Bonds Net Revenue Summary

As of June 30, 2019, the total principal and interest remaining to be paid on the 2011 Series C, the 2013 Bonds and the 2017 Bonds was \$93,187,424. 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 9, 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 2019, \$2,963,763 in debt service was paid from the Rate Stabilization Account.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 5 – Long-Term Debt (Continued)

G. Interest Rate Swap Agreement

The City has a 64.57 percent interest in the Authority which entered into an interest rate 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, and then again in 2017. The 2017 amendment resulted in a reduction of the notional amount to \$30,775,000, of which \$18,963,533 is the City's portion.

This transaction allows the Authority to create synthetic fixed rates on the Revenue Bonds, protecting it 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 ratings of the outstanding swap, as of June 30, 2019, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issue.

Related Bond Issue	Notional Amount ^(A)	Effective Date	Counterparty	Credit Rating	Fixed Rate Paid	Variable Rate Received	Termination Date
2011 Refunding Wastewater Revenue Bonds, Series C and D and 2013 Refunding Wastewater Revenue Bonds	\$ 18,581,576	9/6/2017	Morgan Stanley Capital Services, Inc.	A+	3.665%	62% of 1m LIBOR plus 26 bps	11/1/2023

(A) The Authority's swap agreement is based on the notional amount of \$25,680,000. The City's share of these notional is 64.57%, or \$18,581,576. Only the City's portion of the swap agreement is shown above, since the City was only obligated for that portion of the Authority's bonds.

Based on the swap agreements, 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 associated bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

Fair value. Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates (LIBOR or SIMFA). The payments are then discounted using the spot rates (LIBOR or SIMFA) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. As of June 30, 2019, the fair value of the swaps was not in favor of the Funds as follows:

Related Bond Issue	Fair Value	
	2019	2018
2013 SPWA Refunding Wastewater Revenue Bonds	(A) \$ (872,530)	\$ (890,941)

(A) The Authority's swap agreement is based on the notional amount of \$25,680,000. The City share of the notional was 64.57%, or \$18,581,576. Only the City's portion of the fair value of the swap agreement is shown above, since the City is only obligated for that portion of the Authority's 2011 and 2013 bonds.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 5 – Long-Term Debt (Continued)

G. Interest Rate Swap Agreement (Continued)

Credit risk. Since the fair value of the swap is negative, the Authority is not currently exposed to credit risk. The fair value may increase if interest rates increase in the future. Should interest rates increase to the point where the fair value becomes positive, the Authority would be exposed to credit risk on the outstanding swap. The Authority will be exposed to interest rate risk only if counterparty to the swap defaults or if the swap is terminated.

Basis risk. The risk that the interest rate paid by the Authority on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates 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 the LIBOR Index to offset the actual variable bond rates the Authority pays on the underlying Bonds. The Authority is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on the 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 associated with the 2011C and D Refunding Wastewater Revenue Bonds and 2013 Refunding Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on November 1, 2023 while 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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 5 – Long-Term Debt (Continued)

G. Interest Rate Swap Agreement (Continued)

Swap payments and associated debt. Using rates as of June 30, 2019, debt service requirements of the City’s outstanding swap-related variable-rate and fixed rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at June 30, 2019:

For the Year Ending June 30,	Variable-Rate and Fixed Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2020	\$ -	\$ 858,356	\$ 274,723	\$ 1,133,079
2021	-	858,356	208,045	1,066,401
2022	-	858,356	138,889	997,245
2023	-	858,356	67,256	925,612
2024	-	858,356	14,368	872,724
2025-2029	-	4,291,781	-	4,291,781
2030-2034	25,979,740	2,827,767	-	28,807,507
2035-2036	12,329,641	232,927	-	12,562,568
Totals	<u>\$38,309,381</u>	<u>\$ 11,644,255</u>	<u>\$ 703,281</u>	<u>\$ 50,656,917</u>

Annual debt service requirements are shown below for all long-term debt of the Funds:

For the Year Ending June 30,	Certificates of Participation and Revenue Bonds	
	Principal	Interest
2020	\$ 5,740,073	\$ 4,234,850
2021	6,107,525	3,938,660
2022	6,311,780	3,628,178
2023	6,713,603	3,302,543
2024	7,125,112	2,956,575
2025-2029	41,196,606	8,930,647
2030-2034	1,696,631	3,257,695
2035-206	12,881,713	1,940,329
Totals	87,773,043	<u>\$ 32,189,477</u>

Reconciliation of long-term debt	
Add deferred bond premium	<u>15,411,793</u>
Net long-term debt	<u>\$ 103,184,836</u>

H. Original Issue Discounts and Premiums

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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6 – Pension Plan

Plan Description – The Funds participate and contribute to the City’s Miscellaneous Plan (Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. For financial reporting purposes, the Funds report a proportionate share of the City’s net pension liability. Accordingly, the disclosures and required supplementary information (RSI) has been reported for the Funds as a cost-sharing participant.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Hire date	Prior to January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.179% + \$13,873,846	6.25%

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

Employee contribution rates for the fiscal year ended June 30, 2019, were 8.0 percent for the Classic Plan Members and 6.25 percent for the PEPRA Plan members. The Funds’ proportionate share of the City’s contributions to the miscellaneous plan is \$4,962,133 for the year ended June 30, 2019.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6 – Pension Plan (Continued)

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

As of June 30, 2019, the Funds reported a combined net pension liability of \$59,591,331 for their proportionate share of the Plan’s net pension liability.

The net pension liability of the Plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018. The Funds’ proportion of the Plan’s net pension liability was based on the Funds’ fiscal year 2018 contributions to the Plan relative to the total contributions of the City as a whole. The Funds’ proportionate share of the City’s miscellaneous pension plan net pension liability, measured as of June 30, 2018 was 24.38 percent, which is a 0.49 percent increase from the prior year.

For the year ended June 30, 2019, the Funds recognized pension expense of \$3,668,622. At June 30, 2019, the Funds reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 4,962,133	\$ -
Changes of assumptions	5,835,485	-
Differences between expected and actual experience	787,100	-
Changes in proportions	-	1,402,732
Net differences between projected and actual earnings on pension plan investments	22,304	-
Total	<u>\$ 11,607,022</u>	<u>\$ 1,402,732</u>

The amount of \$4,962,133 reported in the Funds as deferred outflows of resources related to pensions, resulting from the Funds’ contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Year ended June 30	
2020	\$ 3,983,276
2021	2,635,604
2022	(1,044,796)
2023	(331,927)
Total	<u>\$ 5,242,157</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6 – Pension Plan (Continued)

Actuarial Assumptions – The Funds’ proportion of the City’s total pension liabilities in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS membership data

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6 – Pension Plan (Continued)

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

Asset Class	Target Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.90%
Total	100%		

1 – An expected inflation of 2.0% used for this period

2 – An expected inflation of 2.92% used for this period

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Funds contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 79,215,640
Current Discount Rate	7.15%
Net Pension Liability	\$ 56,591,331
1% Increase	8.15%
Net Pension Liability	\$ 37,919,789

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6 – Pension Plan (Continued)

Pension Plan Fiduciary Net Position – Detailed information regarding the City’s collective net pension liability is available in the City’s separately issued Comprehensive Annual Financial Report (CAFR). The City’s financial statements may be obtained by contacting the City of Roseville’s Finance Department. That report may also be obtained on the internet at www.roseville.ca.us.

Note 7 – Postemployment Health Care Benefits

Plan Description

The City provides medical benefits to substantially all retirees under the City of Roseville Other Postemployment Benefit Plan (Plan), a single employer defined benefit healthcare plan administered by the Trust Investment Review Committee. The City is responsible for establishing and amending the funding policy of the Plan. The Plan financial statements can be obtained at www.roseville.ca.us or by contacting the City of Roseville Finance Department at 311 Vernon Street, Roseville, California 95678. For financial reporting purposes, the Funds reports a proportionate share of the City’s net OPEB liability. Accordingly, the disclosures and required supplementary information (RSI) has been reported for the Funds as a cost-sharing participant.

Benefits Provided – The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. Benefit provisions are established and may be amended by City labor agreements, which are approved by the City Council.

Contributions – The contribution requirements of plan members and the City are established and may be amended by the City Council. The City Council establishes rates based on actuarially determined rates. For the year ended June 30, 2019, the Funds contributed \$2,754,000 to the Plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Funds reported a liability of \$26,400,000 for its proportionate share of the City’s net OPEB liability.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2019. The Funds’ proportion of the net OPEB liability was based on the Fund’s fiscal year 2019 contributions to the Plan relative to the total contributions of the City as a whole. At June 30, 2019, the Funds’ proportion was 18.74 percent, which is a decrease of 0.09 percent from its proportion measured as of June 30, 2018.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 7 – Postemployment Health Care Benefits (Continued)

For the year ended June 30, 2019, the Funds recognized OPEB expense of \$545,000. At June 30, 2019, the Funds reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,975,000
Net differences between projected and actual earnings on pension plan investments	1,700,000	-
Total	<u>\$ 1,700,000</u>	<u>\$ 2,975,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction to OPEB expense as follows:

<u>Year ended June 30</u>	
2020	\$ 276,764
2021	276,764
2022	276,597
2023	259,894
2024	184,981
Total	<u>\$ 1,275,000</u>

Actuarial Assumptions - The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Contribution Policy	Pre-funded with pay-go plus a percent of pay which varies by employee group.
Discount Rate	6.25%
Expected Long-Term Rate of Return	6.25%
Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study Mortality projected fully generational with Scale MP-17
Mortality Improvement	3%
Salary Increases	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Medical Trend	Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Healthcare participation	Tier 1: 100% Tier 2 & Tier 3 RFF: 80% at 50% of cap to 100% of cap Tier 3 Non-RFF & Tier 4: 60%

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 7 – Postemployment Health Care Benefits (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return¹
Domestic Equity	39%	4.80%
International Equity	21%	4.80%
Fixed Income	40%	1.50%
Total	100%	

- 1 – An expected inflation of 2.75% used
- 1 – Expected long-term net rate of return is 6.25%

Discount rate. The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Environmental Funds’ proportionate share of the net OPEB liability to changes in the discount rate

The following presents the Funds’ proportionate share of the net OPEB liability, as well as what the Funds’ proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher than the current discount rate:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability	\$ 33,092,673	\$ 26,400,000	\$ 20,983,006

Sensitivity of the Environmental Funds’ proportionate share of the net OPEB liability to changes in the healthcare cost trend rate

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 7 – Postemployment Health Care Benefits (Continued)

The following presents the Funds’ proportionate share of the net OPEB liability, as well as what the Funds’ proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6 percent decreasing to 4 percent) or 1-percentage-point higher (8 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 3%)	Discount Rate (7.5% decreasing to 4%)	1% Increase (8.5% decreasing to 5%)
Net OPEB Liability	\$ 21,469,889	\$ 26,400,000	\$ 31,221,228

OPEB plan fiduciary net position – Detailed information about the Plan’s fiduciary net position is available in the separately issued City of Roseville Other Postemployment Benefits Trust financial report.

Note 8 – Risk Management

The Funds are included in the City’s risk management program. The City is exposed to various risks of loss related to worker’s compensation, torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City self-insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City. All funds of the City participate in the program and make payments to the Risk Management Internal Service Fund based on estimates of the amounts needed to pay operating costs, insurance premiums, and prior and current year claims.

Note 9 – South Placer Wastewater Authority

The City is a member of the South Placer Wastewater Authority (SPWA), a joint powers agency which operates under a joint powers agreement among three public agencies, the City of Roseville, South Placer Municipal Utility District and Placer County. The purpose of SPWA is to provide for the planning, financing, acquisition, construction and operation of the Regional Wastewater Facilities. Under the terms of the amended and restated funding agreement, effective October 1, 2012, the City will own and operate the Regional Wastewater Facilities and the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant.

Under the terms of the Reallocation and Repayment Agreement, effective October 1, 2012, the three agencies are responsible for the repayment of all the revenue bonds. The City’s share of this obligation was 61.66%, but with the second amendment to the funding agreement discussed below, the City’s obligation is now 64.57%. This portion of the debt was recorded on the City’s financial statements, as discussed in Note 5.

During the year ended June 30, 2019, the City paid \$9,084,559 to SPWA based on connection fees collected during the fiscal year.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 9 – South Placer Wastewater Authority (Continued)

The City records its share of income and expenses from SPWA in the Wastewater Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Net Position. The City's investment in SPWA Reserves at June 30, 2019, was \$92,028,632, which includes the City's rate stabilization fund balance of \$67,224,722.

SPWA's financial statements can be obtained from the City of Roseville, 311 Vernon Street, Roseville, California, 95678.

Note 10 – Municipal Solid Waste Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Solid Waste Enterprise Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. During fiscal year 2019, the changes of landfill closure liabilities were as follows:

Beginning Balance	\$ 1,586,800
Deductions	<u>(182,477)</u>
Ending Balance	<u>\$ 1,404,323</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**SCHEDULE OF THE ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS' PROPORTIONATE
SHARE OF THE CITY'S MISCELLANEOUS PLAN NET PENSION LIABILITY
LAST TEN YEARS***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the City's miscellaneous plan net pension liability	23.04%	22.92%	22.24%	23.89%	24.38%
Proportionate share of the City's miscellaneous plan net pension liability	\$ 38,280,956	\$ 40,337,310	\$ 45,402,874	\$ 54,604,965	\$ 56,591,332
Covered payroll	\$ 15,090,600	\$ 15,784,820	\$ 16,538,824	\$ 18,089,649	\$ 18,623,338
Proportionate share of net pension liability as a percentage of payroll	253.67%	255.54%	274.52%	301.86%	303.87%
Miscellaneous plan fiduciary net position as a percentage of the total pension liability	67.62%	66.97%	63.89%	63.85%	63.85%
Measurement date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018

*- Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN YEARS***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contributions	\$ 3,657,536	\$ 3,906,008	\$ 4,656,142	\$ 4,392,306	\$ 4,962,133
Contributions in relation to the actuarially determined contribution	3,657,536	3,906,008	4,656,142	4,392,306	4,962,133
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,784,820	\$ 16,538,824	\$ 18,089,649	\$ 18,632,338	\$ 16,513,256
Contributions as a percentage of covered payroll	23.17%	23.62%	25.74%	23.57%	30.05%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
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*- Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**SCHEDULE OF THE ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS' PROPORTIONATE
SHARE OF THE CITY'S NET OPEB LIABILITY
LAST TEN YEARS***

	<u>2018</u>	<u>2019</u>
Proportion of the City's miscellaneous plan net OPEB liability	17.65%	18.74%
Proportionate share of the City's miscellaneous plan net OPEB liability	\$ 25,203,000	\$ 26,400,000
Covered payroll	\$ 18,089,649	\$ 18,632,338
Proportionate share of net OPEB liability as a percentage of payroll	139.32%	141.69%
Miscellaneous plan fiduciary net position as a percentage of the total OPEB liability	37.07%	40.98%
Measurement date	6/30/2018	6/30/2019

*- Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN YEARS***

	<u>2018</u>	<u>2019</u>
Actuarially determined contributions	\$ 2,796,000	\$ 2,873,000
Contributions in relation to the actuarially determined contribution	<u>2,796,000</u>	<u>2,873,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,089,649	\$ 18,632,338
Contributions as a percentage of covered payroll	15.46%	15.42%

Notes to Schedule

Valuation date: 6/30/2017 6/30/2017

SUPPLEMENTARY INFORMATION

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019**

WATER ENTERPRISE FUND:

Water Operations Fund – accounts for all revenues and expenses related to the operations of the City owned and operated water utility. This is funded primarily by customer user charges.

Water Construction Fund – accounts for water utility capital projects funded primarily by development fees and grants.

Water Rehabilitation Fund – accounts for water utility rehabilitation projects funded by customer user charges.

Water Meter Retrofit Fund – accounts for all revenues and expenses related to installing water meters.

Water Rate Stabilization Fund - accounts for all revenues and expenses related to maintaining the short-term and long-term financial health of the water utility and mitigating risks associated with financial exposures. This is funded primarily by customer user charges.

Water Technical Services Fund – accounts for all revenues and expenses related to providing engineering and technical services to the development community, water funds, wastewater funds, solid waste funds, and other City departments.

Utility Exploration Center Fund – accounts for the operations of the state-of-the-art Utilities Exploration Center.

WASTEWATER ENTERPRISE FUND:

Wastewater Operations Fund – accounts for all revenues and expenses related to the operations of the City owned and operated wastewater utility. This is funded primarily by customer user charges.

Wastewater Construction Fund – accounts for regional development fees and deferred development fees.

Wastewater Rehabilitation Fund – accounts for wastewater utility rehabilitation projects funded by customer user charges and local development fees.

Wastewater Rate Stabilization Fund – accounts for all revenues and expenses related to maintaining the short-term and long-term financial health of the wastewater utility and mitigating risks associated with financial exposures. This is funded primarily by customer user charges.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019**

SOLID WASTE ENTERPRISE FUND:

Solid Waste Operations Fund – accounts for all revenues and expenses related to the operations of the City owned and operated solid waste utility. This is funded primarily by customer user charges.

Solid Waste Capital Purchase Fund – accounts for solid water utility capital projects funded by development fees.

Solid Waste Rehabilitation Fund – accounts for solid waste utility rehabilitation projects funded by customer user charges.

Solid Waste Rate Stabilization Fund – accounts for all revenues and expenses related to maintaining the short-term and long-term financial health of the solid waste utility and mitigating risks associated with financial exposures. This is funded primarily by customer user charges.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019**

	Water Enterprise Fund								Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	
ASSETS									
Current Assets:									
Cash and investments in City Treasury	\$ 30,157,839	\$ 49,823,839	\$ 15,329,742	\$ 1,148,844	\$ 9,092,796	\$ (2,153,281)	\$ -	\$ -	\$ 103,399,779
Restricted cash and investments with fiscal agents	-	9,593,495	-	-	-	-	-	-	9,593,495
Receivables:									
accounts	4,132,057	1,482,104	-	16,165	-	-	-	-	5,630,326
Accrued interest	159,996	263,723	75,595	5,866	47,082	-	-	-	552,262
Due from other government agencies	32,348	-	-	-	-	-	-	-	32,348
Notes	-	-	-	65,654	-	-	-	-	65,654
Due from other funds	-	646,390	-	-	-	-	-	(646,390)	-
Inventories	3,163,385	-	-	-	-	-	-	-	3,163,385
Total Current Assets	37,645,625	61,809,551	15,405,337	1,236,529	9,139,878	(2,153,281)	-	(646,390)	122,437,249
Noncurrent Assets:									
Investments in SPWA reserves	-	-	-	-	-	-	-	-	-
Advances to other funds	-	4,668,210	-	-	-	-	-	(4,668,210)	-
Capital assets:									
Land and construction in progress	1,516,416	3,463,670	1,703,224	-	-	-	-	-	6,683,310
Capital assets being depreciated, net	377,739,099	98,404,166	16,902,264	4,170,825	-	9,569	-	-	497,225,923
Total Noncurrent Assets	379,255,515	106,536,046	18,605,488	4,170,825	-	9,569	-	(4,668,210)	503,909,233
Total Assets	416,901,140	168,345,597	34,010,825	5,407,354	9,139,878	(2,143,712)	-	(5,314,600)	626,346,482
DEFERRED OUTFLOWS OF RESOURCES									
Deferred charge on refunding	-	1,874,512	-	-	-	-	-	-	1,874,512
Accumulated decrease in fair value of hedging derivative	-	-	-	-	-	-	-	-	-
Deferred outflows related to net OPEB liability	370,000	-	-	-	-	-	-	-	370,000
Deferred outflows related to pensions	5,110,046	-	-	-	-	-	-	-	5,110,046
Total Deferred Outflows of Resources	5,480,046	1,874,512	-	-	-	-	-	-	7,354,558
LIABILITIES									
Current Liabilities:									
Accounts payable	684,775	249,897	81,256	-	-	7,041	19,364	-	1,042,333
Accrued liabilities	245,468	136,203	-	4	-	-	1,813	-	383,488
Due to other government agencies	-	-	-	-	-	-	-	-	-
Due to other funds	385,000	-	261,390	-	-	-	-	(646,390)	-
Current portion of compensated absences	456,259	-	-	-	-	-	-	-	456,259
Current portion of long-term debt	-	2,560,000	-	-	-	-	-	-	2,560,000
Deposits	85,000	-	-	-	-	-	-	-	85,000
Unearned revenue	-	627,321	-	-	-	-	-	-	627,321
Total Current Liabilities	1,856,502	3,573,421	342,646	4	-	7,041	21,177	(646,390)	5,154,401
Long-Term Liabilities:									
Advances from other funds	3,845,000	-	823,210	-	-	-	-	(4,668,210)	-
Long-term debt, non-current portion	-	35,416,608	-	-	-	-	-	-	35,416,608
Landfill closure and post closure liability	-	-	-	-	-	-	-	-	-
Compensated absences	778,884	-	-	-	-	-	-	-	778,884
Derivative at fair value-liability	-	-	-	-	-	-	-	-	-
Net OPEB liability	5,865,000	-	-	-	-	-	-	-	5,865,000
Net pension liability	20,140,054	-	-	-	-	-	-	-	20,140,054
Total Long-Term Liabilities	30,628,938	35,416,608	823,210	-	-	-	-	(4,668,210)	62,200,546
Total Liabilities	32,485,440	38,990,029	1,165,856	4	-	7,041	21,177	(5,314,600)	67,354,947
DEFERRED INFLOWS OF RESOURCES									
Deferred outflows related to OPEB	2,635,000	-	-	-	-	-	-	-	2,635,000
Deferred inflows related to pensions	498,391	-	-	-	-	-	-	-	498,391
Total Deferred Outflows of Resources	3,133,391	-	-	-	-	-	-	-	3,133,391
NET POSITION									
Net investment in capital assets	379,255,515	65,765,740	18,605,488	4,170,825	-	9,569	-	-	467,807,137
Restricted for debt services	4,134,075	-	-	-	-	-	-	-	4,134,075
Unrestricted	3,372,765	65,464,340	14,239,481	1,236,525	9,139,878	(2,160,322)	(21,177)	-	91,271,490
Total Net Position (Deficit)	\$ 386,762,355	\$ 131,230,080	\$ 32,844,969	\$ 5,407,350	\$ 9,139,878	\$ (2,150,753)	\$ (21,177)	\$ -	\$ 563,212,702

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$ 26,878,996	\$ 1,914,750	\$ 26,500,571	\$ 6,895,633	\$ -	\$ 62,189,950	\$ 20,928,132	\$ 4,023,249	\$ 2,568,729	\$ 2,097,432	\$ -	\$ 29,617,542
-	-	-	-	-	-	-	-	-	-	-	-
4,351,877	1,365,008	64,179	-	-	5,781,064	2,772,213	72,160	-	-	-	2,844,373
123,642	9,512	156,417	33,196	-	322,767	108,746	20,207	13,339	10,901	-	153,193
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
105,538	-	-	-	-	105,538	177,924	-	-	-	-	177,924
<u>31,460,053</u>	<u>3,289,270</u>	<u>26,721,167</u>	<u>6,928,829</u>	<u>-</u>	<u>68,399,319</u>	<u>23,987,015</u>	<u>4,115,616</u>	<u>2,582,068</u>	<u>2,108,333</u>	<u>-</u>	<u>32,793,032</u>
-	92,028,632	-	-	-	92,028,632	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
667,746	12,049,657	23,957,668	-	-	36,675,071	340,506	-	736,589	-	-	1,077,095
<u>308,396,255</u>	<u>214,927,749</u>	<u>44,066,347</u>	<u>-</u>	<u>-</u>	<u>567,390,351</u>	<u>2,630,759</u>	<u>251,327</u>	<u>317</u>	<u>-</u>	<u>-</u>	<u>2,882,403</u>
309,064,001	319,006,038	68,024,015	-	-	696,094,054	2,971,265	251,327	736,906	-	-	3,959,498
<u>340,524,054</u>	<u>322,295,308</u>	<u>94,745,182</u>	<u>6,928,829</u>	<u>-</u>	<u>764,493,373</u>	<u>26,958,280</u>	<u>4,366,943</u>	<u>3,318,974</u>	<u>2,108,333</u>	<u>-</u>	<u>36,752,530</u>
-	575,878	-	-	-	575,878	-	-	-	-	-	-
-	872,530	-	-	-	872,530	-	-	-	-	-	-
868,000	-	-	-	-	868,000	462,000	-	-	-	-	462,000
<u>4,123,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,123,784</u>	<u>2,373,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,373,192</u>
<u>4,991,784</u>	<u>1,448,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,440,192</u>	<u>2,835,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,835,192</u>
1,069,103	459,490	2,787,965	-	-	4,316,558	728,815	30,699	17,730	-	-	777,244
375,605	-	-	-	-	375,605	229,510	-	-	-	-	229,510
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
706,413	-	-	-	-	706,413	361,227	-	-	-	-	361,227
-	3,180,073	-	-	-	3,180,073	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	24,321	-	-	24,321	-	27,470	-	-	-	27,470
<u>2,151,121</u>	<u>3,639,563</u>	<u>2,812,286</u>	<u>-</u>	<u>-</u>	<u>8,602,970</u>	<u>1,319,552</u>	<u>58,169</u>	<u>17,730</u>	<u>-</u>	<u>-</u>	<u>1,395,451</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	100,337,536	-	-	-	100,337,536	-	-	-	-	-	-
-	-	-	-	-	-	1,404,323	-	-	-	-	1,404,323
1,402,876	-	-	-	-	1,402,876	659,859	-	-	-	-	659,859
-	872,530	-	-	-	872,530	-	-	-	-	-	-
11,159,000	-	-	-	-	11,159,000	9,376,000	-	-	-	-	9,376,000
<u>23,923,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,923,802</u>	<u>12,527,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,527,475</u>
36,485,678	101,210,066	-	-	-	137,695,744	23,967,657	-	-	-	-	23,967,657
<u>38,636,799</u>	<u>104,849,629</u>	<u>2,812,286</u>	<u>-</u>	<u>-</u>	<u>146,298,714</u>	<u>25,287,209</u>	<u>58,169</u>	<u>17,730</u>	<u>-</u>	<u>-</u>	<u>25,363,108</u>
-	-	-	-	-	-	340,000	-	-	-	-	340,000
594,706	-	-	-	-	594,706	309,635	-	-	-	-	309,635
<u>594,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,706</u>	<u>649,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,635</u>
309,064,001	124,035,675	68,024,015	-	-	500,547,813	2,971,265	251,327	736,906	-	-	3,959,498
5,516,260	-	-	-	-	5,516,260	-	-	-	-	-	-
(8,295,928)	94,858,412	23,908,881	6,928,829	-	117,976,072	885,363	4,057,447	2,564,338	2,108,333	-	9,615,481
<u>\$ 306,284,333</u>	<u>\$ 218,894,087</u>	<u>\$ 91,932,896</u>	<u>\$ 6,928,829</u>	<u>\$ -</u>	<u>\$ 624,040,145</u>	<u>\$ 3,856,628</u>	<u>\$ 4,308,774</u>	<u>\$ 3,301,244</u>	<u>\$ 2,108,333</u>	<u>\$ -</u>	<u>\$ 13,574,979</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Water Enterprise Fund								Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	
OPERATING REVENUES									
Charges for services	\$ 32,027,207	\$ 43,739	\$ -	\$ 7,698	\$ -	\$ 37,836	\$ 20,777	\$ -	\$ 32,137,257
Other	189,130	513,442	-	-	-	10,672	608	-	713,852
Total Operating Revenues	32,216,337	557,181	-	7,698	-	48,508	21,385	-	32,851,109
OPERATING EXPENSES									
Operations	13,501,244	531,282	1,169,609	1,179	5,949	1,982,077	1,174	-	17,192,514
Administration	7,288,556	-	-	-	-	(4,676,378)	-	-	2,612,178
Depreciation and amortization	7,519,385	1,407,097	290,468	472,025	-	1,914	-	-	9,690,889
Total Operating Expenses	28,309,185	1,938,379	1,460,077	473,204	5,949	(2,692,387)	1,174	-	29,495,581
Operating Income (Loss)	3,907,152	(1,381,198)	(1,460,077)	(465,506)	(5,949)	2,740,895	20,211	-	3,355,528
NONOPERATING REVENUES (EXPENSES)									
Interest and rents revenue	1,038,123	1,880,099	551,550	42,447	356,225	10,512	1,958	-	3,880,914
Interest and fiscal charges (expense)	(230,750)	(1,688,576)	(23,890)	-	-	-	-	-	(1,943,216)
Cost of issuance	-	-	-	-	-	-	-	-	-
Gain (loss) from sale of property	(75,367)	(4,499)	-	-	-	-	-	-	(79,866)
Subventions and grants	98,535	56,438	-	-	-	-	-	-	154,973
Increase (decrease) in SPWA reserves	-	-	-	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	830,541	243,462	527,660	42,447	356,225	10,512	1,958	-	2,012,805
Income (Loss) Before Contributions and Transfers	4,737,693	(1,137,736)	(932,417)	(423,059)	350,276	2,751,407	22,169	-	5,368,333
Capital contributions - connection/impact fees	-	8,384,889	-	80,139	-	-	-	-	8,465,028
governmental activities	18,365,262	1,714,969	197,056	-	-	-	-	-	20,277,287
Transfers in	685,956	149,448	4,967,051	-	500,000	-	-	(5,078,518)	1,223,937
Transfers (out)	(5,636,302)	(574,234)	(674,488)	(985)	-	(111,488)	(194,205)	5,078,518	(2,113,184)
Change in Net Position	18,152,609	8,537,336	3,557,202	(343,905)	850,276	2,639,919	(172,036)	-	33,221,401
Total net position (deficit)-beginning	368,609,746	122,692,744	29,287,767	5,751,255	8,289,602	(4,790,672)	150,859	-	529,991,301
Total net position (deficit)-ending	\$ 386,762,355	\$ 131,230,080	\$ 32,844,969	\$ 5,407,350	\$ 9,139,878	\$ (2,150,753)	\$ (21,177)	\$ -	\$ 563,212,702

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Totals
\$ 42,411,244	\$ -	\$ 904,745	\$ -	\$ -	\$ 43,315,989	\$ 25,083,954	\$ -	\$ -	\$ -	\$ -	\$ 25,083,954
28,541	44,867	-	-	-	73,408	143,223	-	-	-	-	143,223
42,439,785	44,867	904,745	-	-	43,389,397	25,227,177	-	-	-	-	25,227,177
23,544,640	(911,525)	1,731,702	3,213	-	24,368,030	20,856,423	100,059	244,019	-	-	21,200,501
4,886,026	-	-	-	-	4,886,026	2,686,995	-	-	-	-	2,686,995
5,873,198	5,547,713	714,712	-	-	12,135,623	208,963	22,625	12,092	-	-	243,680
34,303,864	4,636,188	2,446,414	3,213	-	41,389,679	23,752,381	122,684	256,111	-	-	24,131,176
8,135,921	(4,591,321)	(1,541,669)	(3,213)	-	1,999,718	1,474,796	(122,684)	(256,111)	-	-	1,096,001
877,225	83,396	1,364,543	231,690	-	2,556,854	809,508	147,898	102,642	80,809	-	1,140,857
-	(977,564)	-	-	-	(977,564)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
(27,199)	(231,564)	-	-	-	(258,763)	-	-	-	-	-	-
-	(15,029,222)	-	-	-	(15,029,222)	-	-	-	-	-	-
850,026	(16,154,954)	1,364,543	231,690	-	(13,708,695)	809,508	147,898	102,642	80,809	-	1,140,857
8,985,947	(20,746,275)	(177,126)	228,477	-	(11,708,977)	2,284,304	25,214	(153,469)	80,809	-	2,236,858
-	9,015,260	414,851	-	-	9,430,111	-	520,910	-	-	-	520,910
18,698,848	-	180,358	-	-	18,879,206	-	-	140,752	-	-	140,752
165,511	-	8,468,506	1,250,000	(9,389,185)	494,832	61,882	-	565,623	100,000	(665,623)	61,882
(10,554,220)	-	(1,524,502)	-	9,389,185	(2,689,537)	(1,267,493)	-	(178,051)	-	665,623	(779,921)
17,296,086	(11,731,015)	7,362,087	1,478,477	-	14,405,635	1,078,693	546,124	374,855	180,809	-	2,180,481
288,988,247	230,625,102	84,570,809	5,450,352	-	609,634,510	2,777,935	3,762,650	2,926,389	1,927,524	-	11,394,498
\$ 306,284,333	\$ 218,894,087	\$ 91,932,896	\$ 6,928,829	\$ -	\$ 624,040,145	\$ 3,856,628	\$ 4,308,774	\$ 3,301,244	\$ 2,108,333	\$ -	\$ 13,574,979

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Water Enterprise Fund								Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	\$31,737,933	\$ 1,686,883	\$ -	\$ 19,495	\$ -	\$ 37,836	\$ 20,761	\$ -	\$ 33,502,908
Payments to suppliers	(18,514,032)	(612,918)	(1,103,921)	(1,392)	(5,949)	534,651	(25,474)	-	(19,729,035)
Payments to employees	(1,622,440)	-	-	-	-	(2,658,151)	-	-	(4,280,591)
Other receipts	189,130	513,442	-	-	-	10,672	608	-	713,852
Net Cash Provided (Used) by Operating Activities	11,790,591	1,587,407	(1,103,921)	18,103	(5,949)	(2,074,992)	(4,105)	-	10,207,134
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Subventions and grants	390,783	-	-	-	-	-	-	-	390,783
Receipts from other funds	-	-	6,230	-	-	-	-	(6,230)	-
Advances to other funds	-	-	(261,390)	-	-	-	-	261,390	-
Payments (receipts) on advances to (from) other fu	(385,000)	646,390	-	-	-	-	-	(261,390)	-
Transfers in	685,956	149,448	4,967,051	-	500,000	-	-	(5,078,518)	1,223,937
Transfers (out)	(5,636,302)	(574,234)	(674,488)	(985)	-	(111,488)	(194,205)	5,078,518	(2,113,184)
Cash Flows from (used for) Noncapital Financing Activities	(4,944,563)	215,374	4,037,403	(985)	500,000	(111,488)	(194,205)	-	(498,464)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(1,131,381)	(204,854)	(453,328)	-	-	(11,483)	-	-	(1,801,046)
Loss from sale of capital assets	-	-	-	-	-	-	-	-	-
Deferred charges on refunding	-	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-	-
Acquisition of restricted assets	-	176,537	-	-	-	-	-	-	176,537
Transfers to other governmental agencies	-	-	-	-	-	-	-	-	-
Payments on notes receivables	-	-	-	8,754	-	-	-	-	8,754
Issuance costs	-	-	-	-	-	-	-	-	-
Principal paid on capital debt	-	(2,435,000)	-	-	-	-	-	-	(2,435,000)
Interest paid on capital debt	(230,750)	(1,980,130)	(23,890)	-	-	-	-	-	(2,234,770)
Capital contributions	-	8,384,889	-	80,139	-	-	-	-	8,465,028
Cash Flows from (used for) Capital and Related Financing Activities	(1,362,131)	3,941,442	(477,218)	88,893	-	(11,483)	-	-	2,179,503
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest received (paid)	982,739	1,833,047	538,567	41,270	350,021	12,809	2,374	-	3,760,827
Transfer of connection fees to SPWA	-	-	-	-	-	-	-	-	-
Cash Flows from Investing Activities	982,739	1,833,047	538,567	41,270	350,021	12,809	2,374	-	3,760,827
Net increase (decrease) in cash and cash equivalents	6,466,636	7,577,270	2,994,831	147,281	844,072	(2,185,154)	(195,936)	-	15,649,000
Cash and investments at beginning of period	23,691,203	42,246,569	12,334,911	1,001,563	8,248,724	31,873	195,936	-	87,750,779
Cash and investments at end of period	\$30,157,839	\$49,823,839	\$15,329,742	\$ 1,148,844	\$ 9,092,796	\$ (2,153,281)	\$ -	\$ -	\$ 103,399,779
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	\$ 3,907,152	\$ (1,381,198)	\$ (1,460,077)	\$ (465,506)	\$ (5,949)	\$ 2,740,895	\$ 20,211	\$ -	\$ 3,355,528
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation and amortization	7,519,385	1,407,097	290,468	472,025	-	1,914	-	-	9,690,889
Inventories	(2,674,148)	-	-	-	-	-	-	-	(2,674,148)
OPEB expense	(587,000)	-	-	-	-	-	-	-	(587,000)
Pension expense	3,755,466	-	-	-	-	(4,464,737)	-	-	(709,271)
Change in assets and liabilities:									
Receivables, net	(316,274)	1,015,823	-	11,797	-	-	(16)	-	711,330
Accounts and other payables	186,010	(81,636)	65,688	(213)	-	(353,064)	(24,300)	-	(207,515)
Unearned revenue	-	627,321	-	-	-	-	-	-	627,321
Net Cash provided by Operating Activities	\$11,790,591	\$ 1,587,407	\$ (1,103,921)	\$ 18,103	\$ (5,949)	\$ (2,074,992)	\$ (4,105)	\$ -	\$ 10,207,134
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES									
Changes in fair value of derivative									
Contributions of capital assets	\$18,365,262	\$ 1,714,969							\$ 20,080,231
Capital contributions from governmental activities		\$ 197,056							\$ 197,056
Amortization of bond premium		\$ 461,964							\$ 461,964
Amortization of deferred amount on refunding		\$ (170,410)							\$ (170,410)

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$42,890,287	\$ -	\$ 1,170,459	\$ -	\$ -	\$44,060,746	\$24,992,013	\$ 61,381	\$ -	\$ -	\$ -	\$ 25,053,394
(25,631,497)	4,194,859	(2,019,059)	(3,213)	-	(23,458,910)	(21,044,261)	(102,054)	(226,289)	-	-	(21,372,604)
(1,799,434)	-	-	-	-	(1,799,434)	(1,107,321)	-	-	-	-	(1,107,321)
28,541	44,867	-	-	-	73,408	143,223	-	-	-	-	143,223
<u>15,487,897</u>	<u>4,239,726</u>	<u>(848,600)</u>	<u>(3,213)</u>	<u>-</u>	<u>18,875,810</u>	<u>2,983,654</u>	<u>(40,673)</u>	<u>(226,289)</u>	<u>-</u>	<u>-</u>	<u>2,716,692</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
515,802	-	-	-	-	515,802	-	-	-	-	-	-
165,511	-	8,468,506	1,250,000	(9,389,185)	494,832	61,882	-	565,623	100,000	(665,623)	61,882
(10,554,220)	-	(1,524,502)	-	9,389,185	(2,689,537)	(1,267,493)	-	(178,051)	-	665,623	(779,921)
<u>(9,872,907)</u>	<u>-</u>	<u>6,944,004</u>	<u>1,250,000</u>	<u>-</u>	<u>(1,678,903)</u>	<u>(1,205,611)</u>	<u>-</u>	<u>387,572</u>	<u>100,000</u>	<u>-</u>	<u>(718,039)</u>
(220,000)	(109,046)	(14,242,042)	-	-	(14,571,088)	(65,475)	(10,766)	-	-	-	(76,241)
-	-	-	-	-	-	-	-	-	-	-	-
-	4,831,668	-	-	-	4,831,668	-	-	-	-	-	-
-	(3,283,334)	-	-	-	(3,283,334)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(2,963,763)	-	-	-	(2,963,763)	-	-	-	-	-	-
-	(2,281,982)	-	-	-	(2,281,982)	-	-	-	-	-	-
<u>(1,482,401)</u>	<u>10,497,660</u>	<u>414,852</u>	<u>-</u>	<u>-</u>	<u>9,430,111</u>	<u>-</u>	<u>520,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,910</u>
<u>(1,702,401)</u>	<u>6,691,203</u>	<u>(13,827,190)</u>	<u>-</u>	<u>-</u>	<u>(8,838,388)</u>	<u>(65,475)</u>	<u>510,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,669</u>
846,638	82,712	1,376,804	223,624	-	2,529,778	791,379	144,179	101,318	78,968	-	1,115,844
-	(9,407,213)	-	-	-	(9,407,213)	-	-	-	-	-	-
<u>846,638</u>	<u>(9,324,501)</u>	<u>1,376,804</u>	<u>223,624</u>	<u>-</u>	<u>(6,877,435)</u>	<u>791,379</u>	<u>144,179</u>	<u>101,318</u>	<u>78,968</u>	<u>-</u>	<u>1,115,844</u>
4,759,227	1,606,428	(6,354,982)	1,470,411	-	1,481,084	2,503,947	613,650	262,601	178,968	-	3,559,166
22,119,769	308,322	32,855,553	5,425,222	-	60,708,866	18,424,185	3,409,599	2,306,128	1,918,464	-	26,058,376
<u>\$26,878,996</u>	<u>\$ 1,914,750</u>	<u>\$26,500,571</u>	<u>\$ 6,895,633</u>	<u>\$ -</u>	<u>\$62,189,950</u>	<u>\$20,928,132</u>	<u>\$ 4,023,249</u>	<u>\$ 2,568,729</u>	<u>\$ 2,097,432</u>	<u>\$ -</u>	<u>\$ 29,617,542</u>
\$ 8,135,921	\$ (4,591,321)	\$ (1,541,669)	\$ (3,213)	\$ -	\$ 1,999,718	\$ 1,474,796	\$ (122,684)	\$ (256,111)	\$ -	\$ -	\$ 1,096,001
5,873,198	5,547,713	714,712	-	-	12,135,623	208,963	22,625	12,092	-	-	243,680
8,541	-	-	-	-	8,541	(3,966)	-	-	-	-	(3,966)
(94,000)	-	-	-	-	(94,000)	(963,000)	-	-	-	-	(963,000)
3,273,969	-	-	-	-	3,273,969	1,103,922	-	-	-	-	1,103,922
(2,804,291)	3,283,334	241,393	-	-	720,436	(91,941)	33,911	-	-	-	(58,030)
1,094,559	-	(287,357)	-	-	807,202	1,254,880	(1,995)	17,730	-	-	1,270,615
-	-	24,321	-	-	24,321	-	27,470	-	-	-	27,470
<u>\$15,487,897</u>	<u>\$ 4,239,726</u>	<u>\$ (848,600)</u>	<u>\$ (3,213)</u>	<u>\$ -</u>	<u>\$18,875,810</u>	<u>\$ 2,983,654</u>	<u>\$ (40,673)</u>	<u>\$ (226,289)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,716,692</u>
	<u>\$ 18,411</u>				<u>\$ 18,411</u>						
<u>\$18,698,848</u>					<u>\$18,698,848</u>						
		<u>\$ 180,358</u>			<u>\$ 180,358</u>			<u>\$ 140,751</u>			<u>\$ 140,751</u>
	<u>\$ 728,540</u>				<u>\$ 728,540</u>						



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Public Utilities Commission
Environmental Utilities Department
City of 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 Environmental Utilities Enterprise Funds (Funds) of the City of Roseville, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated December 18, 2019. Our report included an emphasis of matter paragraph stating the Funds' financial statements do not purport to and do not, present fairly the financial position of the City as of June 30, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California
December 18, 2019



CITY OF
ROSEVILLE
CALIFORNIA

**Environmental
Utilities**