

City of Roseville Environmental Utilities

Together, Our Neighborhoods Thrive



2018 Annual Report

Director's message: Are you in?

They say that many hands make light work. Here at Environmental Utilities (EU), we take our task at hand seriously: to provide high-quality utilities while planning for the long-term use of our limited resources. This involves investing in facility upgrades and green technology, researching diverse storage options for our water and helping introduce a new generation to the concept of environmental stewardship. It involves managing upwards of 35 trash routes, and maintaining more than 1,000 miles of underground piping. And of course, one of our top charges is to provide the best value for our ratepayers. Our experienced, forward-thinking staff and the community's cooperation makes that all possible.

In this annual report, you'll meet just a few of the many who do this work. From helping homeowners save water to running our family-focused Utility Exploration Center (UEC), our staff delivers these services with energy and professionalism. However, this work really is an all-in effort, so it wouldn't be possible without the community's help. You'll meet your Roseville neighbors who have gained valuable insight thanks to EU's workshops, tours and other programs. Like many things worth pursuing, this work can feel daunting. But when you surround yourself with a team that's experienced, dedicated and passionate, it becomes quite a bit easier.

In this fiscal year (July 1, 2017-June 30, 2018), EU continued to do the things that worked while also expanding our reach. Our Water Efficiency programs continued to be widely tapped by the community. Through our free Water Wise House Calls program, technicians

visited homes to give tips on saving water—and money on your bill. People are often surprised at how easy savings can be after these one-hour consultations. The Cash for Grass program, which offers businesses and residents a dollar per square foot of lawn removed, has eliminated 1.7 million square feet of grass in Roseville since the program began in 2008. Taken together, our Water Efficiency efforts led to Roseville residents and businesses using 17 percent less water than the baseline year of 2013. This keeps our city on track to meet the state's urban water conservation law of reducing per-person water use by 20 percent by 2020.

Our Utility Exploration Center (UEC) celebrated its tenth birthday in January 2018. A partnership between EU and Roseville Electric Utility, the UEC has served more than half a million people since it opened. Located at Martha Riley Library, the UEC introduces the next generation to the science behind utility management while instilling lifelong lessons around environmental stewardship. In its newest exhibit, Explore Like

an Engineer, kids respond to a prompt using critical thinking, design and problem-solving skills. The prompt sparks kids' imaginations while showing them what a career in utilities could offer. Children are the future business owners, residents and decision-makers in our community, so instilling healthy habits today can help us conserve resources for future generations.

On the policy side, we continued to track legislation at the state and national level that might impact our work and your utilities. We have a small team dedicated to forecasting impactful legislation, and we see our role as liaisons between our community members and lawmakers continuing to grow in the future.

Looking ahead, we have the challenging task of managing utilities as the City of Roseville grows and access to natural resources fluctuates. The fact that everyone at EU approaches their work with a sense of urgency, focus and commitment to community inspires hope. And with your buy-in, there is no challenge we can't take on.



Richard D. Plecker
Roseville Environmental Utilities Director

A handwritten signature in black ink that reads "Richard D. Plecker". The signature is written in a cursive, slightly slanted style.

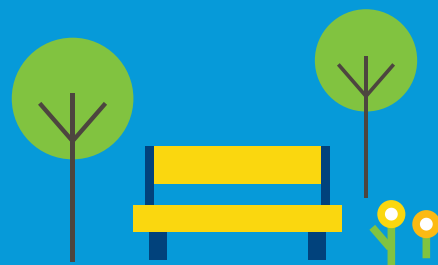
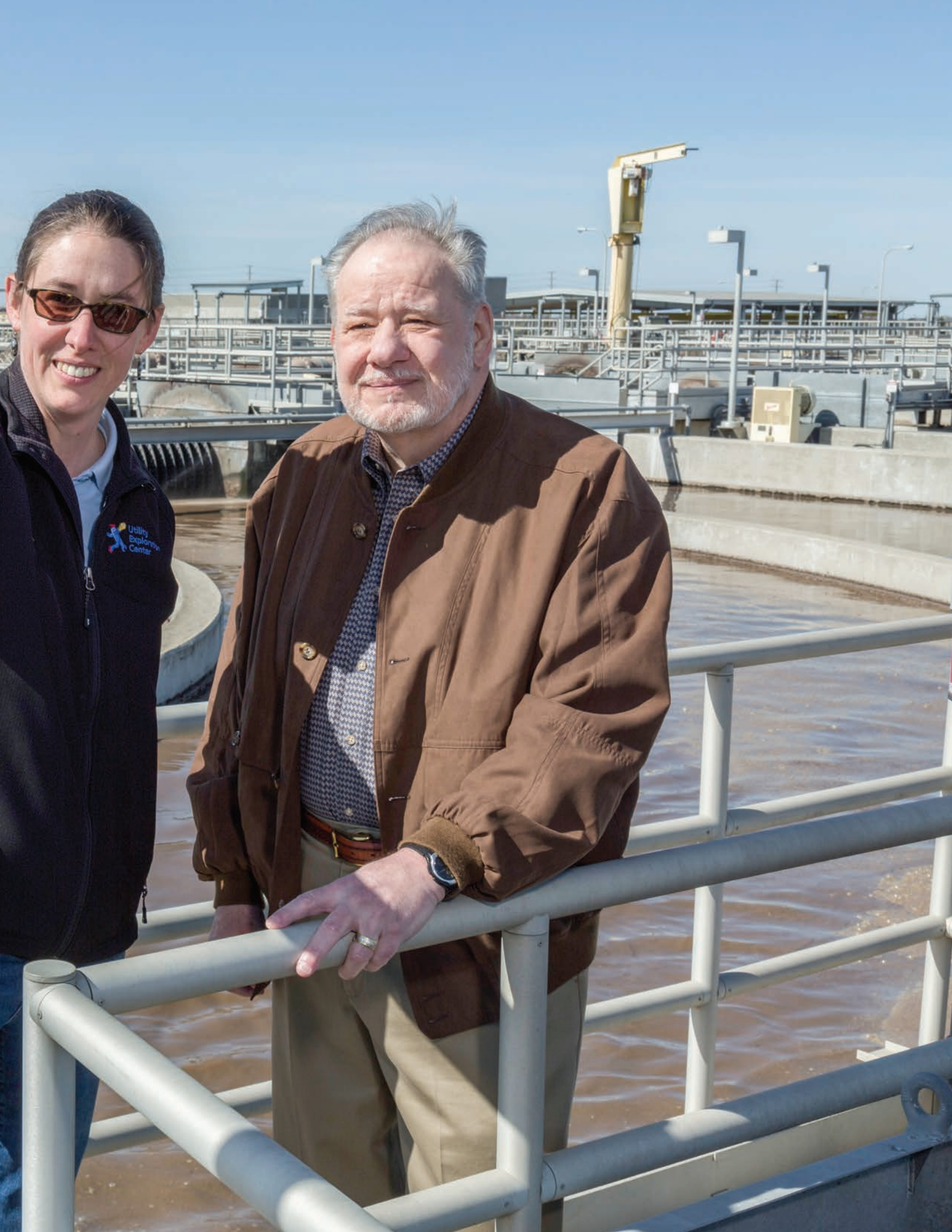


Table of Contents

- 06** Compare our rates
- 07** Our utilities by the numbers
- 08** Bringing an unseen process to light
- 12** Tackling trash (so you don't have to)
- 17** Managing our water resources because there's never enough to waste
- 21** Water efficiency programs
 - Sustain the gains landscape makeover*
 - Removing grass to score cash*
- 26** Planning for reliability today and tomorrow
- 32** Roseville Utility Exploration Center
 - A small staff with a large task*
 - Family fun for all*
 - From parks to utilities educator spotlight*
- 40** Basic financial statements

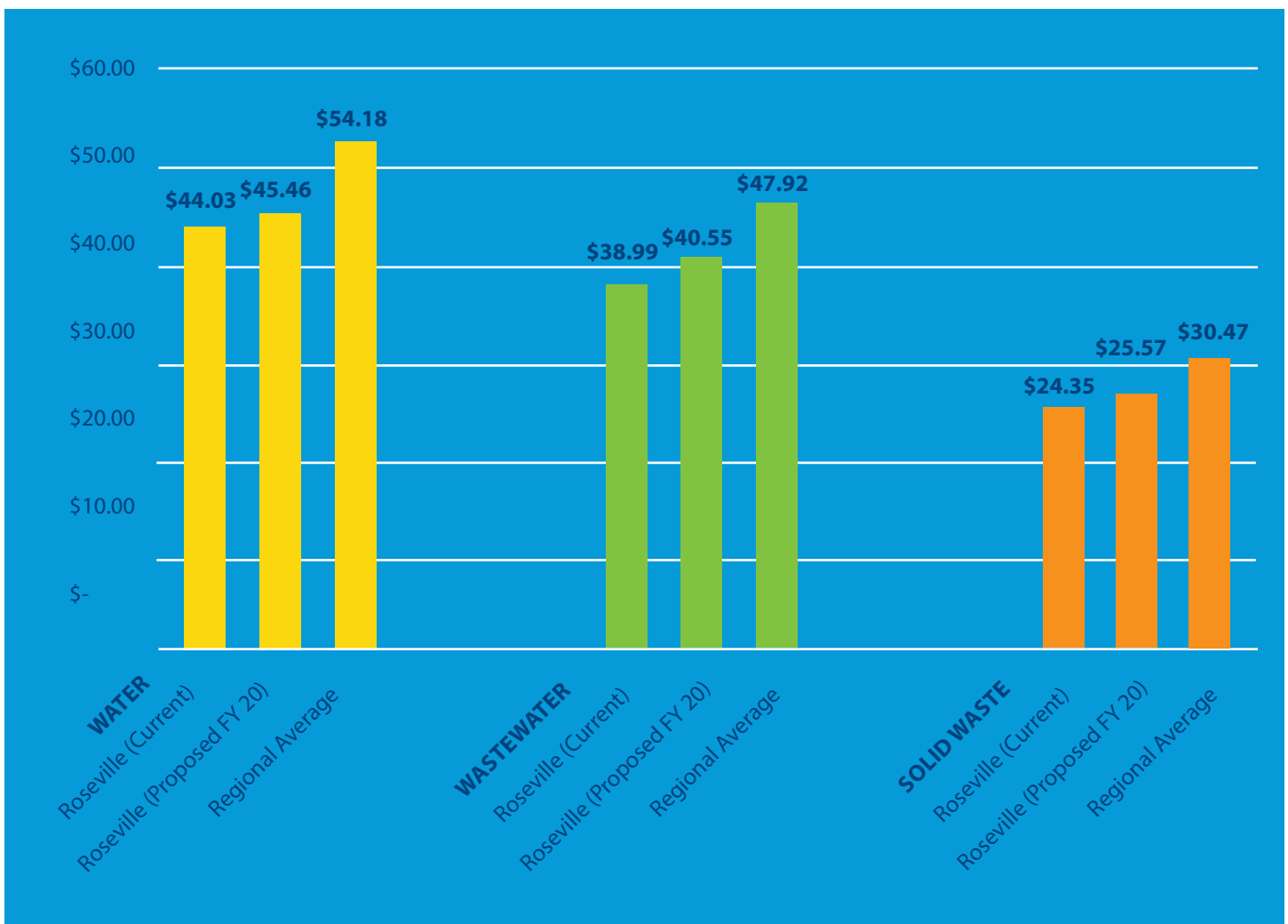






Compare our rates

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.



Fiscal year 2018 statistics

Utility Customer Breakdown

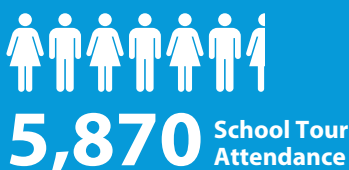
	Water	Wastewater	Solid Waste
Residential Customers	40,004	41,968	44,453
Commercial Customers	3,564	1,926	3,126
Total	43,568	43,894	47,579

Sales, Service and Employees

	Water	Wastewater	Solid Waste
Sales to Customers	\$31,275,177	\$37,408,766	\$23,906,399
Service (Water Production, Wastewater Treatment and Refuse Collection)	29,149 acre feet	6,474 million gallons	116,087 tons
Number of Employees (includes EU Admin and EU Technical Services)	100	86	57

Utility Exploration Center Attendance

 = 1,000 People



9 Number of Employees

2,185 Volunteer Hours

Bringing an uns process to light



seen





Bringing an unseen process to light

For people in Roseville, tapping into a vital daily resource is so easy—it can almost seem automatic. But what happens to the water from your kitchen or bathroom once it has washed away?

“Frankly, once people see that water go down the drain, it’s out of sight, out of mind. That’s really just the start of the work that we do.”

— Ken Glotzbach, wastewater utility manager

Ken and a team of 85 wastewater utility staff members maintain the city’s sewer system and treatment process. That includes more than 700 miles of pipeline that delivers wastewater from Roseville homes and businesses to one of two sites: Dry Creek Wastewater Treatment Plant or Pleasant Grove Wastewater Treatment Plant. They have the combined capacity to treat up to 30 million gallons of wastewater daily and deliver one billion gallons of recycled water back into the community each year.

Roseville’s two wastewater treatment sites have the capacity to treat up to 30 million gallons of water daily and deliver one billion gallons of recycled water back into the community each year.

Both plants produce highly treated water, so the end result is water that can be used for irrigating Roseville’s parks, golf courses and other common areas. Both treatment plants also made headway on expansion projects, which include equipment for resource and energy recovery. “What we’re doing is extracting energy out of what would otherwise be treated as a waste product,” said Glotzbach.





That energy will come in the form of vehicle fuel used by a couple of garbage trucks during the wastewater treatment process. Ken said this is one way Roseville is making the most of its resources, including its revenue. Even with these innovations, effectively treating the wastewater still takes the forefront. “The bottom line behind our business is public health,” said Glotzbach. “Today’s wastewater will be tomorrow’s drinking water. We aren’t there just yet, but it’s a concept we need to get comfortable with, as a human population.”

In spring 2018, the California Water Environment Association recognized Roseville’s Pleasant Grove Wastewater Treatment Plant Tour as the state’s Outreach Project of the Year.

To that end, the Pleasant Grove Wastewater Treatment Plant hosts free facility tours that demystify the process. The two-hour, mile-long tour is also an opportunity to deliver messaging on how the public can help keep the sewer system healthy. Staff have long told customers to avoid flushing pharmaceuticals or putting “FOG” (fats, oils and grease) down the drain. Pharmaceuticals can’t be completely treated and impact the region’s waterways, and FOG can quickly build up and harm the sewer system. Many are surprised to learn that flushable wipes and grocery produce stickers can also be damaging. In spring 2018, the California Water Environment Association recognized the Pleasant Grove Wastewater Treatment Plant Tour as the state’s Outreach Project of the Year. During the 2018 fiscal year, 126 people took the tour.

Rachel Tooker, supervisor of the Utility Exploration Center (UEC), said the UEC helped develop this outreach program. The UEC also supported the Pleasant Grove Wastewater Treatment Plant Open House, a drop-in event held in spring 2018. In addition to games and other learning opportunities, the event featured themed snacks like lemonade and poo emoji cupcakes. It’s serious work, but organizers try to make it fun and engaging for everyone.”

“Without exception, everybody I talked to that day was fascinated with what’s happening and completely impressed with the level of effort that goes into it.

— Rachel Tooker, supervisor, Roseville Utility Exploration Center, on the open house



Tackling trash (so you don't ha



ve to)





LouAna

Nutrition Facts

QUESTIONS OR COMMENTS
1-800-279-1541

SPECIALLY FORMULATED FOR HIGH-HEAT COOKING

CAUTION:
DO NOT HEAT ABOVE 350°F (177°C).
DO NOT OVERHEAT OIL.
DO NOT REUSE OIL.
DO NOT REHEAT OIL.
DO NOT REUSE OIL.

PEANUT OIL

Ventura Foods

8-211



Tackling trash (so you don't have to)

Solid waste division takes care of trash and recycling

What do you think all your trash would look like piled up from a week, a month, or even a year? The nice thing is, you don't have to think about it. Environmental Utilities Solid Waste Division does that for you.

Each week drivers are dispatched to remove the trash and yard waste from approximately 44,000 customers' homes and businesses. They work with efficiency and customer service in mind.

**"I've always seen it as if we're all one big family.
Our customers rely on us."**

— Larry Winter, organics coordinator (and former driver), Solid Waste Division

The drivers aren't alone in making the messy business of trash service a seamless process. Refuse Superintendent Shelly Tilley works behind the scenes, mapping out and managing 48 drivers on 35 routes. She's been with Environmental Utilities since 1992. In her career with the city, she's seen an increase in legislation on what can and cannot go into a landfill. Each year, Solid Waste collects around 100,000 tons of material and what happens with it will continue to change.

One Big Bin

The process would be a bit more complex—and put more trucks on the road—if it weren't for the One Big Bin system. Rather than separating recyclables from garbage, residents toss it all into one bin, which is picked up weekly and delivered to Western Placer Waste Management Authority's Materials Recovery Facility for sorting. At the facility, commonly referred to as a "dirty MRF" (pronounced Murph), waste and recyclables are sorted by machine and by hand. "We have a system that allows us flexibility to change what we pull out of the waste stream at any given moment," Tilley said.

Each year, the Environmental Utilities Solid Waste Division collects around 100,000 tons of material. With One Big Bin, everyone in Roseville can effortlessly recycle.

Sometimes the markets for recyclables change, so what people are supposed to toss in their bins isn't always the same. With One Big Bin, it's simpler for everyone in Roseville to effortlessly recycle. Customers can also arrange for curbside pickup of household hazardous waste—paint, medication and more—which should not go into landfills.

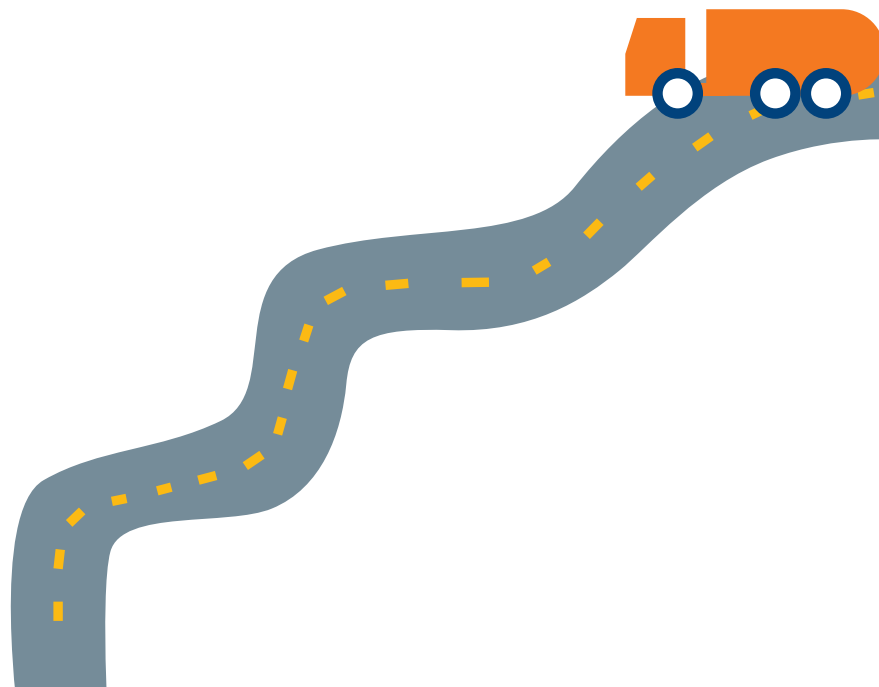


Keeping customers up-to-date

Even with these conveniences Roseville Environmental Utilities provides, Refuse and Stormwater Manager Devin Whittington points out that “It’s still important for people to understand what’s recyclable.” It can be hard to keep customers up-to-date when regulations often change. On the education end, the Utility Exploration Center has a number of programs and events to help learners of all ages understand landfills, stormwater, water efficiency and recycling, among other things. The site also gives people a greater appreciation of what exactly Roseville Environmental Utilities does to take care of them.

**“The residents of the city are the reason why we’re here.
We have you covered.”**

— Devin Whittington, refuse and stormwater manager



**Managing
our water
resources
because
there's
never
enough
to waste**





Managing our water resources because there's never enough to waste

During the drier years in California's recent history, brown lawns were in vogue throughout the City of Roseville. It was a sign that residents were on board to reduce their water use for the benefit of the entire community.

Although our most recent drought is over, water conservation still gets plenty of attention and EU's Water Efficiency Administrator Bobby Alvarez said the goal is to keep up the progress.

"There's a real hunger out there for people to learn about water efficiency. We're making a difference one yard at a time."

— Bobby Alvarez, water efficiency administrator

When Alvarez came to EU, he brought along his experience running a green landscaping business. Every day, he and his team help residents and businesses discover how they can use water more wisely. "We're trying to teach people that you can do more with less," Alvarez said.

In 2018, 324 people attended Roseville Utility Exploration Center's water efficiency DIY landscape workshops —up 20% from the previous year.

In partnership with the UEC, Water Efficiency staff provide low-cost DIY landscape workshops, where people learn that most water waste happens in their yards. They also learn how to address it themselves by building better irrigation systems. In 2018, 324 people attended these workshops—up 20% from the previous year, which saw 271 attendees. They also offer workshops in conjunction with Fix-a-Leak Week, which saw 61 participants. The knowledge and expertise these EU employees bring to the table extends outside the walls of the UEC. In fact, they'll come right to your door.

Through the Water Wise House Calls program, technicians visited 994 homes to offer specific advice on where homeowners can conserve water and save on their monthly bill. During these free one-hour sessions, technicians let people know about rebates they may qualify for and programs like Cash for Grass. The program has offered EU customers \$1 per square foot of turf grass removed and replaced with water-efficient landscaping. Since it launched in 2008, the Roseville community has removed nearly two million square feet of turf grass in partnership with Cash for Grass.

Since its launch in 2008, nearly two million square feet of turf grass has been removed



In other efforts to raise awareness about water efficiency, this year EU launched its Sustain the Gains competition. Three thousand Roseville residents submitted letters about why they wanted—and deserved—a water efficient landscape makeover for their home.

Sustain the Gains winners Debi and Kurt Nelson couldn't have been more impressed with EU's level of service during the makeover.

“We were super impressed with the City of Roseville — their attention to detail and the workers who came out were great. Honestly, I don't think we could have hired a company to do the job they did as well as they did it, because they didn't miss anything.”

— Debi Nelson, winner, Sustain the Gains winner

Alvarez points out that nobody has to go without water, but he and his team want to make it as easy as possible for folks to use water wisely. The Cash for Grass webpage offers additional resources for water wise gardening and landscaping, making that information easily accessible.

As Roseville residents have seen, as the availability of water fluctuates, it becomes even more important to conserve and manage this resource wisely.

“I know if we can do with less today, maybe when the time comes again when we have to conserve, it won't have such an impact.”

— Bobby Alvarez, water efficiency administrator





Water Efficiency Programs

Sustain the gains landscape makeover

As mentioned, longtime Roseville residents Debi and Kurt Nelson were already doing what they could to conserve water each day.

“We were pretty diligent about filling milk jugs while the water was getting hot,” said Debi Nelson, explaining they used all that water for outdoor plants. They didn’t want to let their yard go brown, however, and couldn’t afford a whole new water efficient landscape. That’s where Environmental Utilities (EU) stepped in.

In 2018, EU’s Water Efficiency division and outreach and communication staff launched the Sustain the Gains competition, which had participants write about water-saving measures they’d taken and why they deserved to be chosen for the grand prize: a water efficient landscape makeover. Water Efficiency hired consultant Cheryl Buckwalter to work directly with the Nelsons and design a water-wise yard that they’d love.

Buckwalter, who owns Landscape Liaisons, shares the commitment to water conservation. She coordinates EU’s Green Gardening classes, where she instructs on topics like River-Friendly Landscaping, using the Right Plant in the Right Place, and Creating and Caring for Drought-resilient, Water-efficient Landscape.

For the Nelsons’ landscape makeover, Buckwalter teamed up with landscape contractor Martin Carrion, whose team worked for about two weeks installing the new landscape.

Carrion and his team removed all the existing grass and plants, replacing it with low water-use plants and trees, organic mulch, and decorative rocks. The project included a mix of California natives and drought-tolerant plants. They also installed a highly efficient drip irrigation system and Smart Controller, and graded the soil to make tiers and contours that make better use of rainwater and reduce runoff.

The water they will save each year is estimated to be 33,009 gallons, and the Nelsons said the process was seamless.





Even the Nelsons' neighbors saw the benefit to the yard makeover. Water Efficiency Administrator Bobby Alvarez and other staff members checked in on the progress, and handed out gift bags with water-saving tools and information to neighbors. Those neighbors were also invited to the unveiling of the landscape.

“Giving the Nelsons a landscape that meets their needs and being able to use it as an example of a beautiful, water-efficient landscape that residents throughout Roseville and elsewhere can see is a win-win for everyone.”

—Cheryl Buckwalter, owner of Landscape Liaisons

Debi said some of her neighbors have switched to water-efficient landscaping since the makeover and today the outside of her home is a point of pride.

“Our neighbor across the street loves it because she says she gets to enjoy our yard every day when she looks out the window,” said Debi. “I don’t think we could have hired a company to do the job they (Buckwalter and Carrion) did.”



Roseville Baptist Church representatives with John Shannon, water efficiency specialist






Removing grass to score cash

The folks at First Baptist Church in Roseville knew they wanted to update their grass-heavy landscape. It just took some motivation from Environmental Utilities' Cash for Grass program to get them started.

Since 2008, the program has encouraged owners of homes and commercial properties to remove their turf grass and replace it with more water-efficient landscaping. With limited funds set aside each year for the program, participants get \$1 for each square-foot removed. Eligible homes can get up to \$1,000 per address. "We wanted to decrease our bill, and we wanted to decrease our water usage and become more drought-friendly," said Pastor David Collins.

By the end of the Cash for Grass project, First Baptist Church had removed about 4,000 square feet of lawn and installed a wifi-enabled smart irrigation system that automatically turns off during wet weather.



Church member John Tilford owned a nursery before retirement, so he designed a new landscape and helped a team of congregates build it. As required by the program, the church submitted their plans to Environmental Utilities so the department could be sure the design met the Cash for Grass requirements.

"They were very open to dialogue so it was a great experience on our end," Collins said.

By the end of the project, First Baptist Church had removed about 4,000 square feet of lawn and installed a wifi-enabled smart irrigation system that Tilford can manage from home. The system also automatically turns off during wet weather. "There are a few others in our small church who have decided they're going to do Cash for Grass in their own homes," Collins said.

"We've seen a huge decrease in our water bill—from about \$300 a month to \$50, though it fluctuates seasonally."

— David Collins, Pastor, First Baptist Church

Water Efficiency Administrator Bobby Alvarez says his department's goal to reduce usage by 20% by 2020—which is mandated by the state—is something they work toward every day. The Cash for Grass program is one more way the department is achieving that goal and spreading the word.

Planning for water today and tomorrow



Water reliability for tomorrow





Planning for reliability, today and tomorrow

Nobody can predict the future, but Environmental Utilities prepares for what's ahead. This year, staff within the Water Utility continued their long-term planning for water storage, saved time with a modernized maintenance system and kept up-to-date on legislation.

Most of the work that goes into managing the region's water supply is done behind the scenes. In years of abundance, ratepayers don't tend to stress as much about the availability of water. That peace of mind is due in large part to the Water Utility team's efforts to manage and store this limited resource so it's available for future generations. "As good water managers, we're trying to make sure that we have different types of supplies that are going to be available at different points in time and hydrological conditions," said Sean Bigley, acting water utility manager. "It's a long-term strategic effort."

Environmental Utilities began using its Aquifer Storage and Recovery Program in 2005, and a decade later it was recognized as Project of the Year by the American Public Works Association's Sacramento Chapter.

Most of Roseville's water flows from Folsom Reservoir, a water supply source with several demands. It's a flood control facility that protects the Sacramento area, a water supply facility for Roseville and is used as a water source for environmental needs in the Bay Delta.

To get the most out of the water that is available, Roseville uses its award-winning Aquifer Storage and Recovery (ASR) program. ASR is a process in which water can be injected into a groundwater aquifer through a well when surface water is available, and extracted through the same well when it's needed, during dry conditions. Environmental Utilities began using the process in 2005, and a decade later it was recognized as Project of the Year by the American Public Works Association's Sacramento Chapter. Today, there are six ASR sites throughout Roseville.

"We're always keenly focused on the future in terms of making sure our system is always reliable. Through ASR, we are able to store water for a not-so-rainy day."

— Sean Bigley, acting water utility manager



Another key aspect of good planning is infrastructure maintenance. To that end, the construction team within water distribution performs day-to-day maintenance on pipes, pump stations, wells and meters—all of the city’s water supply infrastructure. That work was made a bit easier thanks to support from Environmental Utilities’ Technical Services department.

In a move to modernize, EU established GIS mapping (geographic information system), which hosts data for all of Roseville’s utilities. All information about our utility infrastructure (fire hydrants and water valves) are included with detailed information. This is made accessible to staff on the field through a computerized maintenance management system.

Now when a construction crew goes out to perform maintenance, they can easily pull up important information and record the work they do. This leads to more efficiency among field staff and an accurate, up-to-date digital record of the maintenance and condition of any given piece of infrastructure.

“It streamlines the process tremendously.”

— Dale Olson, assistant director





Like other natural resources, water management is dictated by complicated and ever-changing legislation. The Water Utility has two staff members that track and advocate on legislation and regulatory matters that could affect Roseville. Rather than take a wait-and-see approach, the idea is to know what's coming down the pike and plan accordingly. Environmental Utilities Director Richard Plecker sees as a conduit between Roseville and regulators, who live outside of the community.

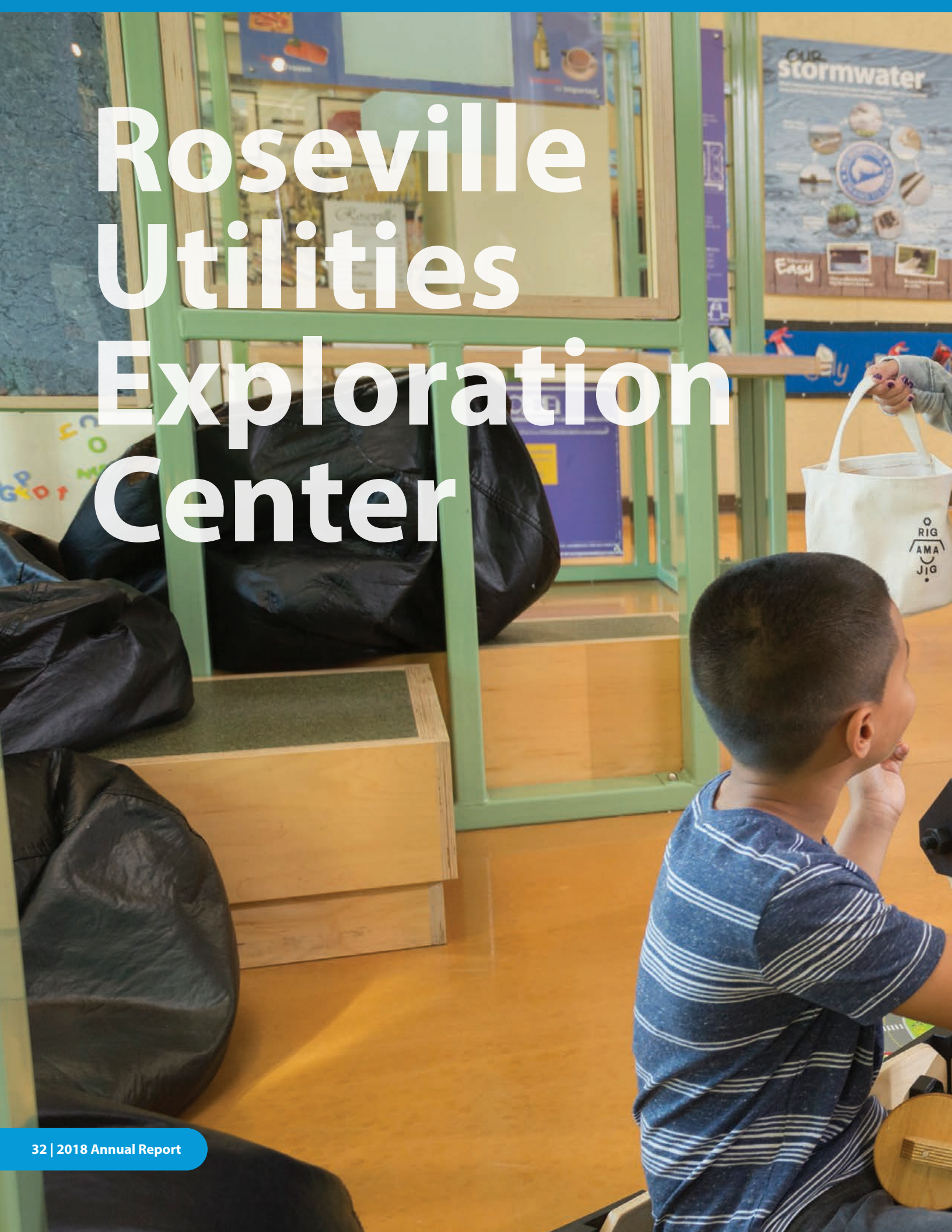
“We’re in a unique position to be able to lobby on behalf of ourselves and our regional partners. We can translate the impact on people’s day-to-day lives back to regulators.”

— Richard Plecker, EU Director

While the small team is mostly tracking legislation now, the plan is to have a greater role in offering input, crafting our own policy alternatives and lobby for legislation that promotes a sustainable future for Roseville’s water supply. “We’re really excited internally for the future ... we’re working quietly behind the scenes to ensure the water service we provide to the community remains reliable,” said Bigley.

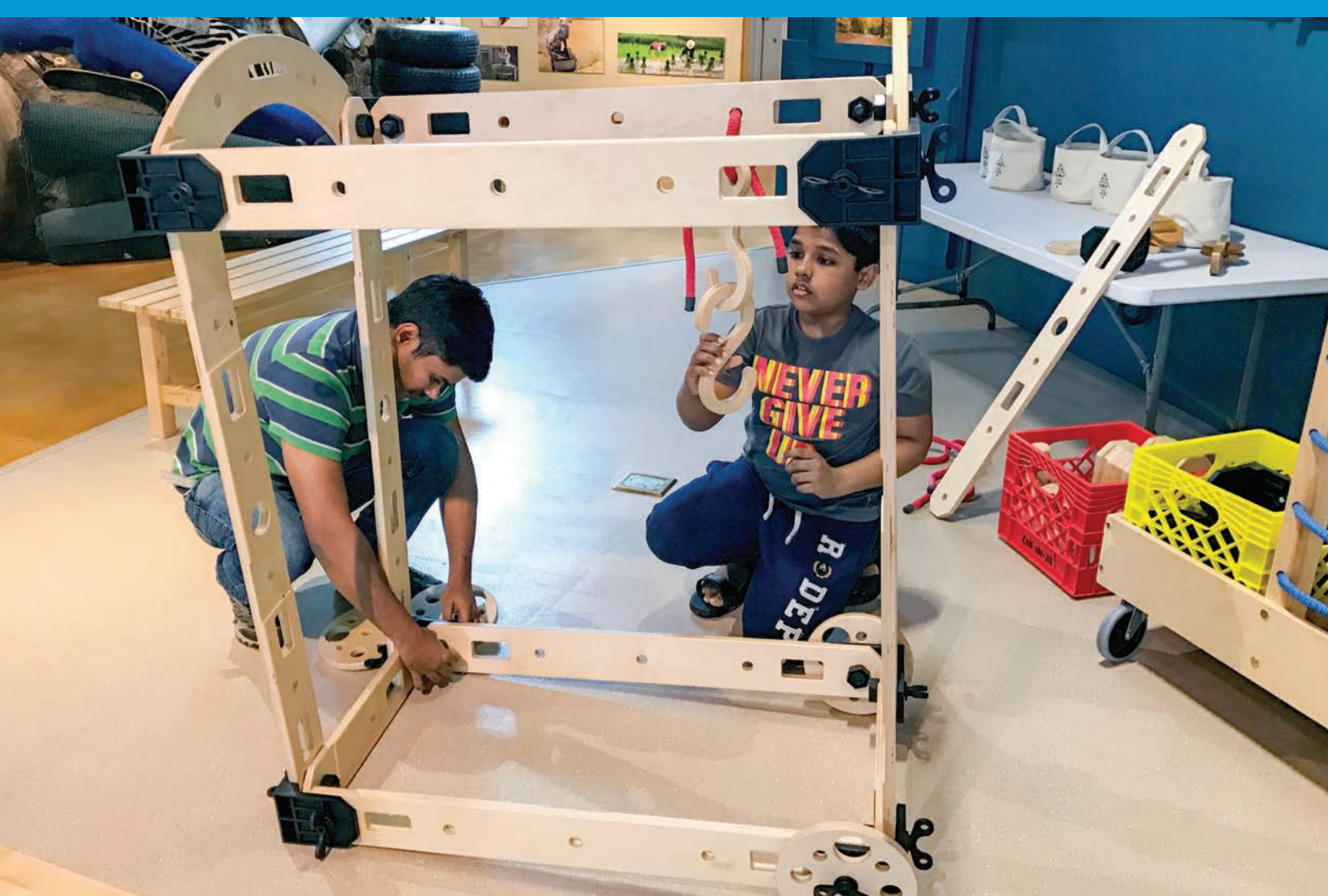


Roseville Utilities Exploration Center





Utility
Exploration
Center



A small staff with a large task

Coming from the world of museums, Rachel Tooker knows how to get people excited about learning. Each day as supervisor of the Roseville Utility Exploration Center (UEC), she sees the spark in children as they make a discovery about how the world around them works. Run jointly by Environmental Utilities and Roseville Electric Utility and housed in the Martha Riley Library, the UEC invites people of all ages to come learn through play and experience.

“Thank you Roseville Utility Exploration Center. I learned that you should use stuff that you can use many times.”

— Emma, kindergartner, after her trip to the UEC.

Much of the work of managing Roseville's public utilities—electricity, water, solid waste and wastewater—is done behind the scenes. Tooker jokes that the programming she does is a bit like a reverse mullet: the business happens in back, and the UEC is the party in the front. "The public is super excited when we lift the curtain and show them what happens behind the scenes," Tooker said.

For Tooker and her staff of nine, that shared enthusiasm makes their task a little bit easier and a lot more fun. Last year, nearly 32,000 visitors stepped into the UEC, including nearly 6,000 children who came on field trips or group tours with organizations like Girl Scouts. At special events, they got the chance to meet Curby the Recycling Robot, the friendly, talking trash can robot, and ran through a large replica of what you might find in a sewer pipe. In the UEC's newest hands-on activity, Explore Like an Engineer, kids are given a utility-related prompt. They think through problems and design and build solutions using tools provided by the UEC.

**32,000 visitors
last year**

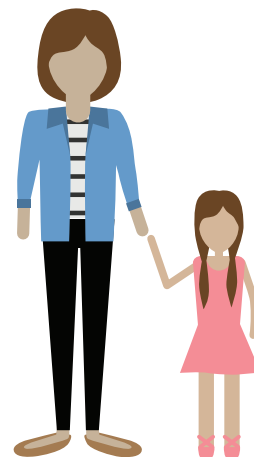
**Nearly 6,000
children came
on field trips or
group tours**

"One of our biggest challenges is attracting the next generation of workforce. The UEC's new hands-on activity, Explore Like an Engineer, plants the seed for kids to explore STEM (science, technology, engineering, and mathematics) careers as they have fun solving problems together."

— Richard Plecker, director

"The big thing they like is that it's interactive," said Jeff Chalfant, a third-grade teacher at George Cirby Elementary who visited the UEC with his students. "They're able to do a lot of hands-on activities that sometimes we don't get a chance to do in schools."

Like Chalfant, the teachers who bring their students to the UEC tend to leave happy. In surveys, schools rated their satisfaction 4.81 out of 5. In large part, those results are thanks to the two full-time and three part-time educators at the UEC who design age-appropriate programs that meet science education standards. "That's our powerhouse group," said Tooker. "I'm really proud of what they have done."





Family fun for all

The Utility Exploration Center hosts family drop-in events and special programs throughout the year to deliver utilities messages to families in unique and engaging ways. For some Roseville residents, they have become must-attend events.

In July, nearly **3,000** people came out for Big Trucks Summer

In July, nearly 3,000 people came out for Big Trucks Summer, a program that spotlights a different utility—and its really impressive trucks—each week. Kids get to meet different utility workers, climb up and honk the horn on some of the big trucks, and play utility-themed games.

Roseville resident Katie O'Leary said her growing family loves Big Trucks Summer, having attended several times.

“They’re really into it. They really love seeing the garbage trucks and climbing in.”

— Roseville resident Katie O'Leary, mother of three young sons, on Big Trucks Summer

The event jumped in attendance by **32 percent** from the previous year

The event jumped in attendance by 32 percent from the previous year.

During the Bird and Bug Bonanza, in February, nearly 2,200 people were introduced to the difference between good bugs and pests and get to venture down Cruddy Creek, a larger-than-life representation of what happens to our creeks when things other than rain go down the storm drain. Adults leave with alternative approaches to pest management.

The UEC also hosted Curby's Waste-A-Palooza. Families met Curby, the trash-talking robot, participated in a recycling quiz show, and got "flushed" down a replica of a sewer. The 725 kids and parents who attended learned about what can and should not go down the toilet or drains, including pharmaceuticals, grocery produce stickers and, surprisingly, "flushable" wipes.

The folks at the UEC want kids to walk away knowing that you shouldn't flush "flushable" wipes and used batteries shouldn't go in the trash can. Those lessons are important, but they also want children—and the adults who bring them—to be conscientious about how they use limited resources and focus on environmental stewardship.

Nearly 2,200 people came to the stormwater-related event in 2018.

"Kids are the future citizens of our communities. We're really asking people to be partners ... in taking care of this community and the environment."

— Rachel Tooker, supervisor, Utility Exploration Center





ROSEVILLE
Melissa K.
Utility Exploration Center

Utility
Exploration
Center

Li	Be	B	C	N	O	F	Ne										
Na	Mg	Al	Si	P	S	Cl	Ar										
K	Ca	Sc	Ti	V	Cr	Mn	Fe	Cobalt	Ni	Cu	Zn	Ga	Ge	As	Se	Br	Kr
Rb	Sr	Y	Zr	Nb	Mo	Tc	Ru	Rh	Pd	Ag	Cd	In	Sn	Sb	Te	I	Xe
Cs	Ba	La	Hf	Ta	W	Re	Os	Ir	Pt	Au	Hg	Tl	Pb	Bi	Po	At	Rn
Fr	Ra	Ac	Th	Pa	U	Np	Pu	American	Am	Cm	Bk	Cf	Es	Fm	Md	No	Lr

He
Ne
Ar
Kr
Xe
Rn

Dy	Ho	Er	Tm	Yb	Lu
Cf	Es	Fm	Md	No	Lr

From parks to utilities

Educator spotlight

Employees with Environmental Utilities come from an array of professional backgrounds, like business, engineering and landscaping. Melissa Kinsey came by way of the National Park Service.

Previously a ranger at Redwood National Park, she marked seven years with the UEC in 2018. When she was first hired, she worked one day a week. Today, she's a full-time employee who designs educational programs, helps coordinate events and gets to watch children make amazing discoveries at the UEC. "My number one priority is taking care of school programming," she said.

More than 4,000 children learned how to be a little greener with their lunch through the Zero-Waste Lunch Dump program.

That means managing the nine programs the UEC staff as designed for students in kindergarten through sixth grade. Those programs have themes like "Water Warriors," which discusses watershed protection and "H2Own" to promote water efficiency. Melissa designed them with help from the other wonderful interpreters at the UEC.

The UEC aligns its programs with Next Generation and Common Core Science Standards. Last year, nearly 6,000 students visited the UEC on field trips.

Many students also participated in the Zero-Waste Lunch Dump program, where UEC staff sort through the remains of student lunches to teach kids about solid waste. They discuss reducing landfill impact with reusable containers and demonstrate how composting works—which is always a hit with the kids. Over 4,000 kids learned how to be a little greener with their lunch through that program.

"Lunch is the number one trash producing meal we eat every day," she said. "The UEC tries to take something very abstract and make it something pretty easily comprehensible." That approach extends beyond school-aged children, to the whole family.

Along with the rest of the staff, Kinsey also helps coordinate community events—with her major focus on the Big Trucks Summer. That event series highlights a different utility each week. She also helps host gardening workshops with water efficiency experts and master gardeners. Her coordination with other departments demonstrates the team approach to managing and teaching folks about the region's public utilities.

Environmental Utilities Enterprise Funds

City of Roseville, California

Basic Financial Statements

For the year ended
June 30, 2018

CITY OF ROSEVILLE ENVIRONMENTAL
UTILITIES ENTERPRISE FUNDS

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Table of Contents

<u>FINANCIAL SECTION</u>	PAGE
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to the Basic Financial Statements	8
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Environmental Utilities Enterprise Funds' Proportionate Share of the City's Miscellaneous Plan Net Pension Liability	39
Schedule of Pension Contributions	40
Schedule of the Environmental Utilities Enterprise Funds' Proportionate Share of the City's Miscellaneous Plan Net OPEB Liability	41
Schedule of OPEB Contributions	42
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position	45
Combining Statement of Revenues, Expenses and Changes in Net Position	47
Combining Statement of Cash Flows	49
Independent Auditors' Report on Internal Control of Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' 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, 2018, 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.

Auditors' 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, 2018, 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, 2018, 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.

Fund Financial Statements

As discussed in note 1, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 85, *Omnibus*, effective July 1, 2017. 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 March 7, 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.



Sacramento, California
March 7, 2019

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and investments in City Treasury	\$ 87,750,779	\$ 60,708,866	\$ 26,058,376	\$ 174,518,021
Restricted cash and investments with fiscal agents	9,770,032	-	-	9,770,032
Receivables:				
Accounts, net of allowance for doubtful accounts	6,341,655	6,501,500	2,786,343	15,629,498
Accrued interest	432,176	295,691	128,180	856,047
Due from other government agencies	268,158	515,802	-	783,960
Notes	74,408	-	-	74,408
Inventories	489,237	114,079	173,958	777,274
Total Current Assets	105,126,445	68,135,938	29,146,857	202,409,240
Noncurrent Assets:				
Investments in SPWA reserves	-	97,650,641	-	97,650,641
Capital assets:				
Land and construction in progress	8,189,521	28,444,568	904,007	37,538,096
Capital assets being depreciated, net	483,412,134	554,564,946	3,082,178	1,041,059,258
Total Noncurrent Assets	491,601,655	680,660,155	3,986,185	1,176,247,995
Total Assets	596,728,100	748,796,093	33,133,042	1,378,657,235
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,044,922	-	-	2,044,922
Accumulated decrease in fair value of hedging derivative	-	890,941	-	890,941
Deferred outflows related to OPEB	572,000	681,000	543,000	1,796,000
Deferred outflows related to pensions	5,221,265	5,020,526	2,941,354	13,183,145
Total Deferred Outflows of Resources	7,838,187	6,592,467	3,484,354	17,915,008
LIABILITIES				
Current Liabilities:				
Accounts payable	904,706	3,415,979	762,904	5,083,589
Accrued liabilities	425,095	886,727	177,609	1,489,431
Due to other government agencies	-	3,283,334	-	3,283,334
Current portion of compensated absences	577,681	554,258	255,798	1,387,737
Current portion of long-term debt	2,435,000	2,830,194	-	5,265,194
Deposits	58,000	-	-	58,000
Total Current Liabilities	4,400,482	10,970,492	1,196,311	16,567,285
Long-Term Liabilities:				
Long-term debt, non-current portion	38,438,572	99,548,050	-	137,986,622
Landfill closure and post closure liability	-	-	1,586,800	1,586,800
Compensated absences	987,997	1,137,286	477,437	2,602,720
Derivative at fair value	-	890,941	-	890,941
Net OPEB liability	7,747,000	9,179,000	8,277,000	25,203,000
Net pension liability	20,904,349	21,663,328	12,037,289	54,604,966
Total Long-Term Liabilities	68,077,918	132,418,605	22,378,526	222,875,049
Total Liabilities	72,478,400	143,389,097	23,574,837	239,442,334
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	1,542,000	1,887,000	1,384,000	4,813,000
Deferred inflows related to pensions	554,586	477,953	264,061	1,296,600
Total Deferred Outflows of Resources	2,096,586	2,364,953	1,648,061	6,109,600
NET POSITION				
Net investment in capital assets	452,773,005	480,631,270	3,986,185	937,390,460
Restricted for debt service	4,139,075	5,267,657	-	9,406,732
Unrestricted	73,079,221	123,735,583	7,408,313	204,223,117
Total Net Position	\$ 529,991,301	\$ 609,634,510	\$ 11,394,498	\$ 1,151,020,309

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, 2018**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
OPERATING REVENUES				
Charges for services	\$ 31,275,177	\$ 37,408,766	\$ 23,906,399	\$ 92,590,342
Other	349,774	17,742	351,347	718,863
Total Operating Revenues	<u>31,624,951</u>	<u>37,426,508</u>	<u>24,257,746</u>	<u>93,309,205</u>
OPERATING EXPENSES				
Operations	16,201,098	22,415,377	20,193,679	58,810,154
Administration	4,834,880	2,901,690	2,252,927	9,989,497
Depreciation and amortization	9,179,485	11,809,368	182,301	21,171,154
Total Operating Expenses	<u>30,215,463</u>	<u>37,126,435</u>	<u>22,628,907</u>	<u>89,970,805</u>
Operating Income (Loss)	<u>1,409,488</u>	<u>300,073</u>	<u>1,628,839</u>	<u>3,338,400</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and rents revenue	561,830	54,738	41,280	657,848
Interest and fiscal charges (expense)	(2,081,243)	(3,917,719)	-	(5,998,962)
Cost of issuance	-	(448,275)	-	(448,275)
Gain (loss) from sale of property	(13,937)	(20,185)	(13,937)	(48,059)
Subventions and grants	269,353	-	36,649	306,002
Increase (decrease) in SPWA reserves	-	(4,491,599)	-	(4,491,599)
Net Nonoperating Revenues (Expenses)	<u>(1,263,997)</u>	<u>(8,823,040)</u>	<u>63,992</u>	<u>(10,023,045)</u>
Income (Loss) Before Contributions and Transfers	145,491	(8,522,967)	1,692,831	(6,684,645)
Capital contributions - connection/impact fees	11,092,510	12,195,509	625,264	23,913,283
Capital contributions from developers and others	17,734,701	15,996,012	583,913	34,314,626
Transfers in	2,454,105	856,970	1,552,101	4,863,176
Transfers (out)	(2,724,827)	(5,601,147)	(1,601,795)	(9,927,769)
Total contributions and transfers	<u>28,556,489</u>	<u>23,447,344</u>	<u>1,159,483</u>	<u>53,163,316</u>
Change in Net Position	28,701,980	14,924,377	2,852,314	46,478,671
Total net position-beginning, as restated	<u>501,289,321</u>	<u>594,710,133</u>	<u>8,542,184</u>	<u>1,104,541,638</u>
Total net position-ending	<u>\$ 529,991,301</u>	<u>\$ 609,634,510</u>	<u>\$ 11,394,498</u>	<u>\$ 1,151,020,309</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 31,196,234	\$ 36,697,841	\$ 23,936,158	\$ 91,830,233
Payments to suppliers	(5,948,167)	(15,665,374)	(14,138,897)	(35,752,438)
Payments to employees	(12,972,157)	(7,771,470)	(6,983,871)	(27,727,498)
Other receipts	349,774	17,742	351,347	718,863
Net Cash Provided by Operating Activities	<u>12,625,684</u>	<u>13,278,739</u>	<u>3,164,737</u>	<u>29,069,160</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	92,692	-	42,650	135,342
Transfers in	2,454,105	856,970	1,552,101	4,863,176
Transfers (out)	(2,724,827)	(5,601,147)	(1,601,795)	(9,927,769)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(178,030)</u>	<u>(4,744,177)</u>	<u>(7,044)</u>	<u>(4,929,251)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,330,579)	(8,706,296)	(1,970,131)	(14,007,006)
Deferred charges on refunding	170,410	-	-	170,410
Issuance of debt	-	19,654,231	-	19,654,231
Acquisition of restricted assets	(257,502)	-	-	(257,502)
(Issuances) and payments on notes receivables	7,295	-	-	7,295
Issuance of costs	-	(448,275)	-	(448,275)
Principal paid on capital debt	(2,791,965)	-	-	(2,791,965)
Interest paid on capital debt	(2,081,243)	(3,917,719)	-	(5,998,962)
Connection fees	11,092,516	12,195,517	625,259	23,913,292
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>2,808,932</u>	<u>18,777,458</u>	<u>(1,344,872)</u>	<u>20,241,518</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	477,077	(29,868)	10,376	457,585
Transfer of connection fees to SPWA	-	(24,965,329)	-	(24,965,329)
Cash Flows from Investing Activities	<u>477,077</u>	<u>(24,995,197)</u>	<u>10,376</u>	<u>(24,507,744)</u>
Net increase in cash and cash equivalents	15,733,663	2,316,823	1,823,197	19,873,683
Cash and cash equivalents at beginning of period	72,017,116	58,392,043	24,235,179	154,644,338
Cash and equivalents at end of period	<u>\$ 87,750,779</u>	<u>\$ 60,708,866</u>	<u>\$ 26,058,376</u>	<u>\$ 174,518,021</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, 2018**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income	\$ 1,409,488	\$ 300,073	\$ 1,628,839	\$ 3,338,400
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	9,179,485	11,809,368	182,301	21,171,154
OPEB expense	(136,000)	2,576,529	841,000	3,281,529
Pension expense	1,722,850	(1,232,295)	858,400	1,348,955
Changes in assets and liabilities:				
Receivables, net	(100,443)	(710,925)	29,759	(781,609)
Inventories	(16,070)	13,499	(137,785)	(140,356)
Accounts and other payables	566,374	522,490	(237,777)	851,087
Net Cash provided by Operating Activities	<u>\$ 12,625,684</u>	<u>\$ 13,278,739</u>	<u>\$ 3,164,737</u>	<u>\$ 29,069,160</u>
NONCASH TRANSACTIONS				
Changes in fair value of derivative		\$ 3,679,816		
Transfer of capital assets from other funds	\$ 528,230	\$ 450,342	\$ 583,912	\$ 1,562,484
Contribution of Capital Assets	\$ 17,206,470	\$ 15,545,670		\$ 32,752,140
Amortization of bond premium	\$ 461,964	\$ 1,875,636		\$ 2,337,600
Amortization of deferred amount on refunding	\$ (170,410)			\$ (170,410)

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, where applicable, 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, 2018

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 City'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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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	\$ 3,955,580
Additions	778,347
Payments	<u>(743,470)</u>
Ending Balance	<u>\$ 3,990,457</u>
Current Portion	<u>\$ 1,387,737</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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Postemployment benefits other than pensions (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:

	Useful Lives	Capitalization Thresholds
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, 2018

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 captions 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. These principally include debt service requirements.

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. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for periods beginning June 15, 2017. The City has implemented this Statement effective July 1, 2017.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The City has implemented this Statement effective July 1, 2017.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. The City has implemented this Statement effective July 1, 2017.

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. New Accounting Pronouncements (Continued)

Effective in Future Fiscal Years

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 not determined the effect of this Statement.

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.

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. 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 not determined the effect on the Program's 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 Program's 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 Program's financial statements.

CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 174,518,021
Restricted cash and investments with fiscal agent	<u>9,770,032</u>
Total Cash and Investments	<u>\$ 184,288,053</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, 2018, consist of the following:

Cash on hand	\$ 600
City pooled cash and investments	174,517,421
Investments	<u>9,770,032</u>
Total Cash and Investments	<u>\$ 184,288,053</u>

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 (A)	5 Years	None	None	None
Mortgage Pass-Through Securities	5 Years	None	20%	None
Forward Delivery Agreements	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	30 days	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

- (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, 2018

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	N/A	None
U.S. Agency Securities of Certain Agencies (A) (B)	N/A	None
Money Market Mutual 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	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, 2018

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:

	Remaining Maturity (in Months)	
	12 Months or Less	Total
Investments held with fiscal agent: Money Market Mutual Funds	\$ 9,770,032	\$ 9,770,032
Total Investments	<u>\$ 9,770,032</u>	<u>\$ 9,770,032</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, 2018, for each investment type as provided by Standard and Poor's investment rating system:

	AAA/AAAm	Total
Investments: Money Market Mutual Funds	\$ 9,770,032	\$ 9,770,032
Total Investments		<u>\$ 9,770,032</u>

CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

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, 2018:

	<u>Level 2</u>
Money Market Mutual Funds	<u>\$ 9,770,032</u>
Total Investments	<u>\$ 9,770,032</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, 2018 is \$174,518,021. 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, 2018

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, 2018, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
Water Operations	Water Construction	\$ 69,970	(B)
	Wastewater Operations	1,542,101	(A), (B), (C)
Water Construction	Water Operations	71,374	(B)
Water Rehabilitation	Water Technical Services	25,000	(D)
	Water Operations	3,849,606	(D)
	Wastewater Rehabilitation	113,139	(D)
	City of Roseville - State Gasoline Tax Fund	4,072	(D)
Water Rate Stabilization	Water Operations	500,000	(B)
Water Technical Services	Water Operations	1,222,698	(A)
	Wastewater Operations	635,126	(A), (B)
	Solid Waste Operations	159,670	(B)
Wastewater Operations	Wastewater Rehabilitation	201,789	(B)
	Solid Waste Operations	141,897	(D)
	Water Operations	141,900	(B)
Wastewater Rehabilitation	Water Rehabilitation	573,173	(D)
	Wastewater Operations	7,764,274	(D)
Wastewater Rate Stabilization	Wastewater Operations	1,250,000	(B)
Solid Waste Operations	Wastewater Operations	1,542,101	(A)
Solid Waste Rehabilitation	Solid Waste Operations	584,973	(A), (B)
	Utility Exploration Center	10,000	(B)
Solid Waste Rate Stabilization	Solid Waste Operations	<u>350,000</u>	(B)
Gross Transfers In		20,752,863	
	Intrafund Eliminations	<u>(15,889,687)</u>	
	Total Transfers In	4,863,176	
City of Roseville General Fund	Water Operations	2,418	(A), (B), (D)
	Water Construction	52,252	(A), (D)
	Water Rehabilitation	500,545	(A)
	Utility Exploration Center	6,224	(A)
	Wastewater Operations	23,951	(A), (B), (D)
	Wastewater Rehabilitation	30,368	(A), (C)
	Solid Waste Operations	6,854	(A), (B), (D)
	Solid Waste Rehabilitation	580,956	(A)
City of Roseville Non-Major Governmental Funds	Water Operations	736,100	(C)
	Water Construction	772	(C)
	Water Rehabilitation	62,776	(C)
	Wastewater Operations	669,800	(C)
	Wastewater Rehabilitation	426,915	(C)
	Solid Waste Operations	294,100	(C)
City of Roseville Internal Service Funds	Water Operations	470,427	(A)
	Water Meter Retrofit	4,260	(A)
	Water Technical Services	163,983	(A)
	Wastewater Operations	522,133	(A)
	Wastewater Rehabilitation	95,513	(A)
	Solid Waste Operations	271,822	(A)
	Solid Waste Rehabilitation	83,512	(A)
	Solid Waste Capital Purchase	<u>62,984</u>	(A)
Gross Transfers Out		\$ 9,931,841	
	Less: Transfers In from City of Roseville Funds	<u>(4,072)</u>	
	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, 2018

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, 2018, interfund balances comprised the following:

Due from Other Funds	Due to Other Funds	Amount
Water Construction	Water Operations	\$ 385,000
	Water Rehabilitation	255,160
		640,160
	Intrafund Eliminations	(640,160)
	Total	\$ -

(A) Current portion of the advances mentioned in 3C below.

Long-Term Interfund Advances

At June 30, 2018, the funds below had made advances which were not expected to be repaid within the next year.

Fund Making Advance	Fund Receiving Advance	Amount
Water Construction	Water Operations	\$ 4,230,000
	Water Rehabilitation	1,084,600
		5,314,600
	Intrafund Eliminations	(5,314,600)
	Total	\$ -

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, 2018

NOTE 4 – CAPITAL ASSETS

A. Capital Asset Additions and Retirements

Capital assets at June 30, 2018 comprise:

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 4,347,477	\$ -	\$ -	\$ -	\$ 4,347,477
Construction in progress	25,527,599	11,567,721	-	(3,904,701)	33,190,619
Total Capital Assets Not Being Depreciated	29,875,076	11,567,721	-	(3,904,701)	37,538,096
Capital assets, being depreciated:					
Buildings	4,501,670	-	-	-	4,501,670
Improvements	4,153,951	-	-	-	4,153,951
Machinery and equipment	5,942,176	159,704	(1,388,203)	4,727,648	9,441,325
Flood control	8,830,439	-	-	-	8,830,439
Plants and substations	294,695,528	-	-	-	294,695,528
Distribution	1,064,349,113	32,752,139	-	822,909	1,097,924,161
Total Capital Assets Being Depreciated	1,382,472,877	32,911,843	(1,388,203)	5,550,557	1,419,547,074
Less accumulated depreciation for:					
Buildings	(1,037,364)	(109,905)	-	-	(1,147,269)
Improvements	(635,569)	(115,591)	-	-	(751,160)
Machinery and equipment	(4,685,102)	(784,416)	1,340,143	(83,368)	(4,212,743)
Flood control	(647,565)	(117,739)	-	-	(765,304)
Plants and substations	(108,516,218)	(6,296,378)	-	-	(114,812,596)
Distribution	(242,071,478)	(14,727,266)	-	-	(256,798,744)
Total Accumulated Depreciation	(357,593,296)	(22,151,295)	1,340,143	(83,368)	(378,487,816)
Net Capital Assets Being Depreciated	1,024,879,581	10,760,548	(48,060)	5,467,189	1,041,059,258
Environmental Utilities Enterprise Funds Capital Assets, net	\$ 1,054,754,657	\$ 22,328,269	\$ (48,060)	\$ 1,562,488	\$ 1,078,597,354

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	\$ 7,092,886
Water Construction	1,686,928
Water Rehabilitation	218,328
Water Meter Retrofit	472,025
Water Technical Services	872
Wastewater Operations	5,541,340
Wastewater Construction	6,390,132
Wastewater Rehabilitation	566,483
Solid Waste Operations	153,029
Solid Waste Capital Purchases	17,180
Solid Waste Rehabilitation	12,092
Total Environmental Utilities Enterprise Funds	\$ 22,151,295

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Certificates of Participation:						
2015 Water Utility Revenue						
2.00% - 5.00%, due 12/1/29	\$ 42,565,000	\$ 37,660,000	\$ -	\$ (2,330,000)	\$ 35,330,000	\$ 2,435,000
Add: bond premium	6,899,891	6,005,538	-	(461,966)	5,543,572	-
Total Certificates of Participation	<u>49,464,891</u>	<u>43,665,538</u>	<u>-</u>	<u>(2,791,966)</u>	<u>40,873,572</u>	<u>2,435,000</u>
Revenue Bonds:						
2011 Refunding Wastewater Revenue Bonds, Series C						
1.00-5.25%, due 11/1/25	36,315,568	28,937,038	-	(19,811,358)	9,125,680	2,830,194
Add: bond premium	2,839,017	1,817,754	-	(1,344,724)	473,030	-
2013 Refunding Wastewater Revenue Bonds variable rate, due 11/1/35	36,582,878	36,582,878	-	-	36,582,878	-
2014 Refunding Wastewater Revenue Bonds variable rate, due 6/30/30	17,955,392	17,955,392	-	(17,955,392)	-	-
2017 Refunding Wastewater Revenue Bonds 5%, due 11/1/37	46,109,348	-	46,109,348	-	46,109,348	-
Add: bond premium	10,618,219	-	10,618,219	(530,911)	10,087,308	-
Total Revenue Bonds	<u>150,420,422</u>	<u>85,293,062</u>	<u>56,727,567</u>	<u>(39,642,385)</u>	<u>102,378,244</u>	<u>2,830,194</u>
Total Environmental Utilities Enterprise Funds Debt:	<u>\$ 199,885,313</u>	<u>\$ 128,958,600</u>	<u>\$ 56,727,567</u>	<u>\$ (42,434,351)</u>	<u>\$ 143,251,816</u>	<u>\$ 5,265,194</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. The refunding resulted in a deferred loss on refunding of \$1,940,826 that is recorded as a deferred outflow of resources and is being amortized over the life of the refunded bonds.

As of June 30, 2018, the total principal and interest remaining to be paid on the certificates was \$45,945,550. 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 2018 net revenues amounted to \$24,416,033 which represented coverage of 592 percent over the \$4,125,033 in debt service. The balance outstanding as of June 30, 2018, was \$35,330,000.

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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. As a result, the City's share of the obligation increased to 61.66 percent and the liabilities for the 2011C and 2011D Bonds were increased \$4,819,815 and \$2,247,000, respectively.

The Series 2011ABCD Bonds were issued to refund the remaining outstanding balance of the 2008 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds Series A and Series B. During fiscal year 2013, the 2011A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds. During fiscal year 2015, the 2011D Bonds were refunded by the Wastewater Revenue Refunding Bonds, Series 2014. During fiscal year 2018, the 2011C Bonds were partially refunded by the 2017 SPWA Refunding Wastewater Revenue Bonds.

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, 2018 was \$9,125,680.

D. 2013 South Placer Wastewater Authority Refunding Revenue Bonds

On April 1, 2013, the Authority issued Variable Rate Demand Refunding Wastewater Revenue Bonds, Series 2013, in the original principal amount of \$59,330,000. The City's share of this obligation was determined to be 61.66 percent. The 2013 Bonds were issued to refund the remaining outstanding balance of the 2011 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds, Series A and B.

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, 2018 was 2.025 percent. The bonds are subject to mandatory redemption annually beginning November 1, 2029 through 2035.

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

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, 2013 Bonds and the 2014 Bonds at June 30, 2018 was 4.094 percent.

E. South Placer Wastewater Authority Refunding Bonds, Series 2014

On August 7, 2014, the Authority issued the Wastewater Revenue Refunding Bonds, Series 2014, in the amount of \$29,120,000 to refund the Authority's Wastewater Revenue Refunding Bonds, Series 2011D.

As of September 28, 2017, the Wastewater Authority Refunding Bonds, Series 2014, were refunded by the 2017 Bonds.

The Series 2004 Bonds are secured by a pledge of Authority Revenues, which include all amounts received by, or entitled to be received by, the Authority from the Participants (consist of the City, SPMUD and Placer County) under provisions of the Funding Agreement. The Authority Revenues generally exclude Regional Connection Fees and amount held in the Rate Stabilization Fund, unless certain conditions are met. During fiscal year 2018, the 2014 Bonds were fully refunded by the 2017 SPWA Refunding Wastewater Revenue Bonds, which resulted in a gain of \$1,731,978.

F. 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. The Revenue Bonds bear interest at 5.00 percent 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, 2018, is \$46,109,348.

G. Interest Rate Swap Agreement

The City has a 61.66 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.

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – LONG-TERM DEBT (CONTINUED)

G. Interest Rate Swap Agreement (Continued)

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, 2018, 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	\$ 18,963,533	9/6/2017	Morgan Stanley Capital Services, Inc.	BBB+	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 \$30,775,000. The City's share of these notional is 61.66%, or \$18,963,533. 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, 2018, the fair value of the swaps was not in favor of the Funds as follows:

Related Bond Issue	Fair Value	
	2018	2017
2013 SPWA Refunding Wastewater Revenue Bonds	(A) \$ (890,941)	\$ (4,570,757)

(A) The Authority's swap agreement is based on the notional amount of \$30,775,000. The City share of the notional was 61.66%, or \$18,963,533. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

NOTE 5 – LONG-TERM DEBT (CONTINUED)

G. Interest Rate Swap Agreement (Continued)

Swap payments and associated debt. Using rates as of June 30, 2018, 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, 2018:

For the Year Ending June 30,	Variable-Rate and Fixed Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2019	\$ -	\$ 740,786	\$ 355,755	\$ 1,096,541
2020	-	740,786	288,278	1,029,064
2021	-	740,786	218,309	959,095
2022	-	740,786	145,742	886,528
2023	-	740,786	70,575	811,361
2024-2028	-	3,703,928	-	3,703,928
2029-2033	19,259,501	2,905,354	-	22,164,855
2034-2036	17,323,377	476,897	-	17,800,274
Totals	<u>\$ 36,582,878</u>	<u>\$ 10,790,109</u>	<u>\$ 1,078,659</u>	<u>\$ 48,451,646</u>

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

For the Year Ending June 30,	Principal	Interest
2019	\$ 5,265,194	\$ 5,127,125
2020	5,596,755	4,855,576
2021	5,953,731	4,566,814
2022	6,154,640	4,264,105
2023	6,545,114	3,946,611
2024-2028	38,285,566	14,303,393
2029-2033	29,759,355	6,306,758
2034-2036	29,587,551	2,943,602
Totals	127,147,906	<u>\$ 46,313,984</u>

Reconciliation of long-term debt	
Add deferred bond premium	<u>16,103,910</u>
Net long-term debt	<u>\$ 143,251,816</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, 2018

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.

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, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Hire date		
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	8.000%	6.250%
Required employer contribution rates	21.928% + \$5,061,099	12.250%

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, 2018, 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 \$4,392,306 for the year ended June 30, 2018.

As of June 30, 2018, the Funds reported a combined net pension liability of \$54,604,966 for their proportionate share of the Plan’s net pension liability.

CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6 – PENSION PLAN (CONTINUED)

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

The net pension liability of the Plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. The Funds’ proportion of the Plan’s net pension liability was based on the Funds’ fiscal year 2017 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, 2017 was 23.89 percent, which is a 1.65 percent increase from the prior year.

For the year ended June 30, 2018, the Funds recognized pension expense of \$1,627,178. At June 30, 2018, 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	\$ 4,392,306	\$ -
Changes of assumptions	7,618,164	-
Differences between expected and actual experience	-	725,411
Changes in proportions	-	571,189
Net differences between projected and actual earnings on pension plan investments	<u>1,172,675</u>	<u>-</u>
Total	<u>\$ 13,183,145</u>	<u>\$ 1,296,600</u>

The amount of \$4,392,306 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, 2018. 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	
2019	\$ 1,626,373
2020	3,993,966
2021	2,701,613
2022	<u>(827,713)</u>
Total	<u>\$ 7,494,239</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – PENSION PLAN (CONTINUED)

Actuarial Assumptions – The Funds’ proportion of the City’s total pension liabilities in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
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 January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

Changes of assumptions – During measurement year ended June 30, 2017, the accounting discount rate was lowered from 7.65 percent to 7.15 percent.

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, 2018

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 - 10 ¹	Real Return Years 11+ ²
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	100%		

1 – An expected inflation of 2.5% used for this period

2 – An expected inflation of 3.0% 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	\$ 75,924,981
Current Discount Rate	7.15%
Net Pension Liability	\$ 54,604,966
1% Increase	8.15%
Net Pension Liability	\$ 37,026,908

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

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, 2018, the environmental utilities funds contributed \$2,796,000 to the Plan.

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

At June 30, 2018, the Funds reported a liability of \$25,203,000 for its proportionate share of the City’s net OPEB liability.

The net OPEB liability was measured as of June 30, 2018, 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, 2018. The Funds’ proportion of the net OPEB liability was based on the Fund’s fiscal year 2017 contributions to the Plan relative to the total contributions of the City as a whole. At June 30, 2018, the Funds’ proportion was 17.65 percent, which is a decrease of 0.2 percent from its proportion measured as of June 30, 2017.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

For the year ended June 30, 2018, the Funds recognized OPEB expense of \$2,514,000. At June 30, 2018, the Funds reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 4,813,000
Net differences between projected and actual earnings on pension plan investments	\$ 1,796,000	
Total	<u>\$ 1,796,000</u>	<u>\$ 4,813,000</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:

Year ended June 30	
2019	\$ (258,353)
2020	(258,353)
2021	(258,353)
2022	(258,353)
2023	(707,353)
Thereafter	(1,276,235)
Total	<u>\$ (3,017,000)</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, 2018
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 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4% in 2076
Medical Trend	Tier 1: 100%
Healthcare participation	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, 2018

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return¹</u>
Mutual Funds - Equity	45%	4.80%
Mutual Funds - Fixed Income	50%	1.50%
REITS	5%	3.80%
Total	100%	

1 – An expected inflation of 2.75% used

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:

	<u>1% Decrease (5.25%)</u>	<u>Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Net OPEB Liability	\$ 31,289,000	\$ 25,203,000	\$ 20,275,000

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, 2018**

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% decreasing to 4%)	Discount Rate (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Net OPEB Liability	\$ 20,949,000	\$ 25,203,000	\$ 29,352,000

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. As of June 30, 2018, the City’s share of this obligation is 61.66 percent. This portion of the debt was recorded on the City’s financial statements, as discussed in Note 8.

During the year ended June 30, 2018, the City paid \$12,295,625 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, 2018

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, 2018, was \$97,650,641, which includes the City's rate stabilization fund balance of \$74,974,077.

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

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 2018, the changes of landfill closure liabilities were as follows:

Beginning Balance	\$ 1,759,437
Deductions	<u>(172,637)</u>
Ending Balance	<u>\$ 1,586,800</u>

NOTE 11 – RESTATEMENT

A. Adoption of New Accounting Standard

The City adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus*, effective July 1, 2017.

B. Change in Accounting Method

The City removed an accrued liability from the records of the wastewater fund which represented amounts due to South Placer Wastewater Authority for connection fees with associated deferred payments related to future development. As this amount represented connection fees not yet collected by the wastewater fund, they also do not represent a liability.

CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 11 – RESTATEMENT (CONTINUED)

B. Change in Accounting Method (Continued)

Net Position as of June 30, 2018, have been restated as follows:

	Beginning Net Position (as previously reported)	OPEB Liability	Accrued Liability Correction	Beginning Net Position Balance (restated)
Water Fund	\$ 510,142,321	\$ (8,853,000)	\$ -	\$ 501,289,321
Wastewater Fund	602,763,083	(10,622,000)	2,569,050	594,710,133
Solid Waste Fund	17,567,184	(9,025,000)		8,542,184
Water Operations	359,829,994	(8,853,000)		350,976,994
Wastewater Operations	293,326,181	(10,622,000)		282,704,181
Wastewater Construction	229,063,407	-	2,569,050	231,632,457
Solid Waste Operations	10,144,122	(9,025,000)		1,119,122

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

*- Fiscal year 2015 was the first year of implementation, therefore, only four 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>
Actuarially determined contributions	\$ 3,657,536	\$ 3,906,008	\$ 4,656,142	\$ 4,392,306
Contributions in relation to the actuarially determined contribution	<u>3,657,536</u>	<u>3,906,008</u>	<u>4,656,142</u>	<u>4,392,306</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,784,820	\$ 16,538,824	\$ 18,089,649	\$ 18,632,338
Contributions as a percentage of covered payroll	23.17%	23.62%	25.74%	23.57%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
-----------------	-----------	-----------	-----------	-----------

*- Fiscal year 2015 was the first year of implementation, therefore, only four 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>
Proportion of the City's miscellaneous plan net OPEB liability	17.65%
Proportionate share of the City's miscellaneous plan net OPEB liability	\$ 25,203,000
Covered payroll	\$ 18,089,649
Proportionate share of net OPEB liability as a percentage of payroll	139.32%
Miscellaneous plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Measurement date	6/30/2018

*- Fiscal year 2018 was the first year of implementation, therefore, only one year is shown

CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

SCHEDULE OF OPEB CONTRIBUTIONS
 LAST TEN YEARS*

	<u>2018</u>
Actuarially determined contributions	\$ 2,796,000
Contributions in relation to the actuarially determined contribution	<u>2,796,000</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 18,632,338
Contributions as a percentage of covered payroll	0.00%

Notes to Schedule

Valuation date: 6/30/2017

SUPPLEMENTARY INFORMATION

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

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, 2018

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, 2018**

	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	\$ 23,691,203	\$ 42,246,569	\$ 12,334,911	\$ 1,001,563	\$ 8,248,724	\$ 31,873	\$ 195,936	\$ -	\$ 87,750,779
Restricted cash and investments with fiscal agents	-	9,770,032	-	-	-	-	-	-	9,770,032
Receivables:									
Accounts, net of allowance for doubtful	4,163,774	2,149,935	-	27,962	-	-	(16)	-	6,341,655
Accrued interest	104,613	216,671	62,612	4,689	40,878	2,297	416	-	432,176
Due from other government agencies	268,158	-	-	-	-	-	-	-	268,158
Notes	-	-	-	74,408	-	-	-	-	74,408
Due from other funds	-	640,160	-	-	-	-	-	(640,160)	-
Inventories	489,237	-	-	-	-	-	-	-	489,237
Total Current Assets	28,716,985	55,023,367	12,397,523	1,108,622	8,289,602	34,170	196,336	(640,160)	105,126,445
Noncurrent Assets:									
Investments in SPWA reserves	-	-	-	-	-	-	-	-	-
Advances to other funds	-	5,314,600	-	-	-	-	-	(5,314,600)	-
Capital assets:									
Land and construction in progress	555,124	3,258,816	4,375,581	-	-	-	-	-	8,189,521
Capital assets being depreciated, net	366,506,946	98,392,347	13,869,991	4,642,850	-	-	-	-	483,412,134
Total Noncurrent Assets	367,062,070	106,965,763	18,245,572	4,642,850	-	-	-	(5,314,600)	491,601,655
Total Assets	395,779,055	161,989,130	30,643,095	5,751,472	8,289,602	34,170	196,336	(5,954,760)	596,728,100
DEFERRED OUTFLOWS OF RESOURCES									
Deferred charge on refunding	-	2,044,922	-	-	-	-	-	-	2,044,922
Accumulated decrease in fair value of hedging derivative	-	-	-	-	-	-	-	-	-
Deferred outflows related to net OPEB liability	572,000	-	-	-	-	-	-	-	572,000
Deferred outflows related to pensions	4,248,119	-	-	-	-	973,146	-	-	5,221,265
Total Deferred Outflows of Resources	4,820,119	2,044,922	-	-	-	973,146	-	-	7,838,187
LIABILITIES									
Current Liabilities:									
Accounts payable	550,174	311,022	921	-	-	7,341	35,248	-	904,706
Accrued liabilities	207,897	156,714	14,647	217	-	35,391	10,229	-	425,095
Due to other government agencies	-	-	-	-	-	-	-	-	-
Due to other funds	385,000	-	255,160	-	-	-	-	(640,160)	-
Current portion of compensated absences	471,949	-	-	-	-	105,732	-	-	577,681
Current portion of long-term debt	-	2,435,000	-	-	-	-	-	-	2,435,000
Deposits	58,000	-	-	-	-	-	-	-	58,000
Total Current Liabilities	1,673,020	2,902,736	270,728	217	-	148,464	45,477	(640,160)	4,400,482
Long-Term Liabilities:									
Advances from other funds	4,230,000	-	1,084,600	-	-	-	-	(5,314,600)	-
Long-term debt, non-current portion	-	38,438,572	-	-	-	-	-	-	38,438,572
Landfill closure and post closure liability	-	-	-	-	-	-	-	-	-
Compensated absences	776,356	-	-	-	-	211,641	-	-	987,997
Derivative at fair value-liability	-	-	-	-	-	-	-	-	-
Net OPEB liability	7,747,000	-	-	-	-	-	-	-	7,747,000
Net pension liability	15,675,425	-	-	-	-	5,228,924	-	-	20,904,349
Total Long-Term Liabilities	28,428,781	38,438,572	1,084,600	-	-	5,440,565	-	(5,314,600)	68,077,918
Total Liabilities	30,101,801	41,341,308	1,355,328	217	-	5,589,029	45,477	(5,954,760)	72,478,400
DEFERRED INFLOWS OF RESOURCES									
Deferred outflows related to OPEB	1,542,000	-	-	-	-	-	-	-	1,542,000
Deferred inflows related to pensions	345,627	-	-	-	-	208,959	-	-	554,586
Total Deferred Outflows of Resources	1,887,627	-	-	-	-	208,959	-	-	2,096,586
NET POSITION									
Net investment in capital assets	367,062,070	62,822,513	18,245,572	4,642,850	-	-	-	-	452,773,005
Restricted for debt services	-	4,139,075	-	-	-	-	-	-	4,139,075
Unrestricted	1,547,676	55,731,156	11,042,195	1,108,405	8,289,602	(4,790,672)	150,859	-	73,079,221
Total Net Position (Deficit)	\$ 368,609,746	\$ 122,692,744	\$ 29,287,767	\$ 5,751,255	\$ 8,289,602	\$ (4,790,672)	\$ 150,859	\$ -	\$ 529,991,301

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$ 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
-	-	-	-	-	-	-	-	-	-	-	-
3,522,743	2,847,408	131,349	-	-	6,501,500	2,680,272	106,071	-	-	-	2,786,343
93,055	8,828	168,678	25,130	-	295,691	90,617	16,488	12,015	9,060	-	128,180
341,579	-	174,223	-	-	515,802	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
114,079	-	-	-	-	114,079	173,958	-	-	-	-	173,958
26,191,225	3,164,558	33,329,803	5,450,352	-	68,135,938	21,369,032	3,532,158	2,318,143	1,927,524	-	29,146,857
-	97,650,641	-	-	-	97,650,641	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1,018,960	11,134,580	16,291,028	-	-	28,444,568	308,170	-	595,837	-	-	904,007
295,026,589	221,513,057	38,025,300	-	-	554,564,946	2,806,583	263,186	12,409	-	-	3,082,178
296,045,549	330,298,278	54,316,328	-	-	680,660,155	3,114,753	263,186	608,246	-	-	3,986,185
322,236,774	333,462,836	87,646,131	5,450,352	-	748,796,093	24,483,785	3,795,344	2,926,389	1,927,524	-	33,133,042
-	-	-	-	-	-	-	-	-	-	-	-
-	890,941	-	-	-	890,941	-	-	-	-	-	-
681,000	-	-	-	-	681,000	543,000	-	-	-	-	543,000
5,020,526	-	-	-	-	5,020,526	2,941,354	-	-	-	-	2,941,354
5,701,526	890,941	-	-	-	6,592,467	3,484,354	-	-	-	-	3,484,354
499,000	459,490	2,457,489	-	-	3,415,979	730,210	32,694	-	-	-	762,904
268,894	-	617,833	-	-	886,727	177,609	-	-	-	-	177,609
3,283,334	-	-	-	-	3,283,334	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
554,258	-	-	-	-	554,258	255,798	-	-	-	-	255,798
-	2,830,194	-	-	-	2,830,194	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
4,605,486	3,289,684	3,075,322	-	-	10,970,492	1,163,617	32,694	-	-	-	1,196,311
-	-	-	-	-	-	-	-	-	-	-	-
-	99,548,050	-	-	-	99,548,050	-	-	-	-	-	-
-	-	-	-	-	-	1,586,800	-	-	-	-	1,586,800
1,137,286	-	-	-	-	1,137,286	477,437	-	-	-	-	477,437
-	890,941	-	-	-	890,941	-	-	-	-	-	-
9,179,000	-	-	-	-	9,179,000	8,277,000	-	-	-	-	8,277,000
21,663,328	-	-	-	-	21,663,328	12,037,289	-	-	-	-	12,037,289
31,979,614	100,438,991	-	-	-	132,418,605	22,378,526	-	-	-	-	22,378,526
36,585,100	103,728,675	3,075,322	-	-	143,389,097	23,542,143	32,694	-	-	-	23,574,837
1,887,000	-	-	-	-	1,887,000	1,384,000	-	-	-	-	1,384,000
477,953	-	-	-	-	477,953	264,061	-	-	-	-	264,061
2,364,953	-	-	-	-	2,364,953	1,648,061	-	-	-	-	1,648,061
296,045,549	130,269,393	54,316,328	-	-	480,631,270	3,114,753	263,186	608,246	-	-	3,986,185
-	5,267,657	-	-	-	5,267,657	-	-	-	-	-	-
(7,057,302)	95,088,052	30,254,481	5,450,352	-	123,735,583	(336,818)	3,499,464	2,318,143	1,927,524	-	7,408,313
\$ 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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Water Enterprise Fund								Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	
OPERATING REVENUES									
Charges for services	\$ 30,828,979	\$ 51,778	\$ -	\$ 6,531	\$ -	\$ 371,620	\$ 16,269	\$ -	\$ 31,275,177
Other	206,979	-	56	34,735	-	104,770	3,234	-	349,774
Total Operating Revenues	31,035,958	51,778	56	41,266	-	476,390	19,503	-	31,624,951
OPERATING EXPENSES									
Operations	13,036,049	211,820	625,695	722	4,730	2,330,586	(8,504)	-	16,201,098
Administration	4,639,868	-	-	-	-	195,012	-	-	4,834,880
Depreciation and amortization	7,092,886	1,395,374	218,328	472,025	-	872	-	-	9,179,485
Total Operating Expenses	24,768,803	1,607,194	844,023	472,747	4,730	2,526,470	(8,504)	-	30,215,463
Operating Income (Loss)	6,267,155	(1,555,416)	(843,967)	(431,481)	(4,730)	(2,050,080)	28,007	-	1,409,488
NONOPERATING REVENUES (EXPENSES)									
Interest and rents revenue	(72,727)	614,483	10,080	846	10,162	(695)	(319)	-	561,830
Interest and fiscal charges (expense)	(250,000)	(1,801,123)	(30,120)	-	-	-	-	-	(2,081,243)
Cost of issuance	-	-	-	-	-	-	-	-	-
Gain (loss) from sale of property	(13,937)	-	-	-	-	-	-	-	(13,937)
Subventions and grants	163,033	106,320	-	-	-	-	-	-	269,353
Increase (decrease) in SPWA reserves	-	-	-	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(173,631)	(1,080,320)	(20,040)	846	10,162	(695)	(319)	-	(1,263,997)
Income (Loss) Before Contributions and Transfers	6,093,524	(2,635,736)	(864,007)	(430,635)	5,432	(2,050,775)	27,688	-	145,491
Capital contributions - connection/impact fees	-	10,982,993	-	109,517	-	-	-	-	11,092,510
Capital contributions from developers	16,921,680	312,476	500,545	-	-	-	-	-	17,734,701
Transfers in	1,612,071	71,374	3,991,817	-	500,000	2,017,494	-	(5,738,651)	2,454,105
Transfers (out)	(6,994,523)	(122,994)	(1,136,494)	(4,260)	-	(188,983)	(16,224)	5,738,651	(2,724,827)
Change in Net Position	17,632,752	8,608,113	2,491,861	(325,378)	505,432	(222,264)	11,464	-	28,701,980
Total net position (deficit)-beginning, as restated	350,976,994	114,084,631	26,795,906	6,076,633	7,784,170	(4,568,408)	139,395	-	501,289,321
Total net position (deficit)-ending	\$ 368,609,746	\$ 122,692,744	\$ 29,287,767	\$ 5,751,255	\$ 8,289,602	\$ (4,790,672)	\$ 150,859	\$ -	\$ 529,991,301

CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Totals
\$ 34,747,817	\$ -	\$ 2,660,949	\$ -	\$ -	\$ 37,408,766	\$ 23,906,399	\$ -	\$ -	\$ -	\$ -	\$ 23,906,399
17,742	-	-	-	-	17,742	351,347	-	-	-	-	351,347
<u>34,765,559</u>	<u>-</u>	<u>2,660,949</u>	<u>-</u>	<u>-</u>	<u>37,426,508</u>	<u>24,257,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,257,746</u>
22,128,765	(1,985,097)	2,269,372	2,337	-	22,415,377	19,982,560	114,525	96,594	-	-	20,193,679
2,901,690	-	-	-	-	2,901,690	2,252,927	-	-	-	-	2,252,927
5,541,340	5,701,545	566,483	-	-	11,809,368	153,029	17,180	12,092	-	-	182,301
<u>30,571,795</u>	<u>3,716,448</u>	<u>2,835,855</u>	<u>2,337</u>	<u>-</u>	<u>37,126,435</u>	<u>22,388,516</u>	<u>131,705</u>	<u>108,686</u>	<u>-</u>	<u>-</u>	<u>22,628,907</u>
4,193,764	(3,716,448)	(174,906)	(2,337)	-	300,073	1,869,230	(131,705)	(108,686)	-	-	1,628,839
18,387	9,131	29,893	(2,673)	-	54,738	31,129	(98)	9,860	389	-	41,280
-	(3,917,719)	-	-	-	(3,917,719)	-	-	-	-	-	-
-	(448,275)	-	-	-	(448,275)	-	-	-	-	-	-
(20,185)	-	-	-	-	(20,185)	(13,937)	-	-	-	-	(13,937)
-	-	-	-	-	-	36,649	-	-	-	-	36,649
-	(4,491,599)	-	-	-	(4,491,599)	-	-	-	-	-	-
<u>(1,798)</u>	<u>(8,848,462)</u>	<u>29,893</u>	<u>(2,673)</u>	<u>-</u>	<u>(8,823,040)</u>	<u>53,841</u>	<u>(98)</u>	<u>9,860</u>	<u>389</u>	<u>-</u>	<u>63,992</u>
4,191,966	(12,564,910)	(145,013)	(5,010)	-	(8,522,967)	1,923,071	(131,803)	(98,826)	389	-	1,692,831
-	11,557,555	637,954	-	-	12,195,509	-	625,264	-	-	-	625,264
15,556,000	-	440,012	-	-	15,996,012	2,957	-	580,956	-	-	583,913
485,586	-	8,337,447	1,250,000	(9,216,063)	856,970	1,542,101	-	594,973	350,000	(934,973)	1,552,101
<u>(13,949,486)</u>	<u>-</u>	<u>(867,724)</u>	<u>-</u>	<u>9,216,063</u>	<u>(5,601,147)</u>	<u>(1,809,316)</u>	<u>(62,984)</u>	<u>(664,468)</u>	<u>-</u>	<u>934,973</u>	<u>(1,601,795)</u>
6,284,066	(1,007,355)	8,402,676	1,244,990	-	14,924,377	1,658,813	430,477	412,635	350,389	-	2,852,314
<u>282,704,181</u>	<u>231,632,457</u>	<u>76,168,133</u>	<u>4,205,362</u>	<u>-</u>	<u>594,710,133</u>	<u>1,119,122</u>	<u>3,332,173</u>	<u>2,513,754</u>	<u>1,577,135</u>	<u>-</u>	<u>8,542,184</u>
\$ 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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Water Enterprise Fund								
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	\$ 30,522,972	\$ 274,807	\$ -	\$ 10,550	\$ -	\$ 371,620	\$ 16,285	\$ -	\$ 31,196,234
Payments to suppliers	(5,546,093)	62,656	(665,268)	(8,125)	(4,730)	184,097	29,296	-	(5,948,167)
Payments to employees	(10,361,440)	-	-	-	-	(2,610,717)	-	-	(12,972,157)
Other receipts	206,979	-	56	34,735	-	104,770	3,234	-	349,774
Net Cash Provided (Used) by Operating Activities	<u>14,822,418</u>	<u>337,463</u>	<u>(665,212)</u>	<u>37,160</u>	<u>(4,730)</u>	<u>(1,950,230)</u>	<u>48,815</u>	<u>-</u>	<u>12,625,684</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Subventions and grants	8,136	84,556	-	-	-	-	-	-	92,692
Receipts from other funds	-	-	6,080	-	-	-	-	(6,080)	-
Advances to other funds	-	-	(255,160)	-	-	-	-	255,160	-
Payments (receipts) on advances to (from) other fur	(385,000)	640,160	-	-	-	-	-	(255,160)	-
Transfers in	1,612,071	71,374	3,991,817	-	500,000	2,017,494	-	(5,738,651)	2,454,105
Transfers (out)	(6,994,523)	(122,994)	(1,136,494)	(4,260)	-	(188,983)	(16,224)	5,738,651	(2,724,827)
Cash Flows from (used for) Noncapital Financing Activities	<u>(5,759,316)</u>	<u>667,016</u>	<u>2,606,243</u>	<u>(4,260)</u>	<u>500,000</u>	<u>1,828,511</u>	<u>(16,224)</u>	<u>-</u>	<u>(178,030)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(2,424,706)	(410,581)	(495,292)	-	-	-	-	-	(3,330,579)
Deferred charges on refunding	-	170,410	-	-	-	-	-	-	170,410
Issuance of debt	-	-	-	-	-	-	-	-	-
Acquisition of restricted assets	-	(257,502)	-	-	-	-	-	-	(257,502)
Payments on notes receivables	-	-	-	7,295	-	-	-	-	7,295
Issuance costs	-	-	-	-	-	-	-	-	-
Principal paid on capital debt	-	(2,791,965)	-	-	-	-	-	-	(2,791,965)
Interest paid on capital debt	(250,000)	(1,801,123)	(30,120)	-	-	-	-	-	(2,081,243)
Capital contributions	-	10,982,999	-	109,517	-	-	-	-	11,092,516
Cash Flows from (used for) Capital and Related Financing Activities	<u>(2,674,706)</u>	<u>5,892,238</u>	<u>(525,412)</u>	<u>116,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,808,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest received (paid)	(131,470)	619,695	(8,263)	(378)	(662)	(1,389)	(456)	-	477,077
Transfer of connection fees to SPWA	-	-	-	-	-	-	-	-	-
Cash Flows from Investing Activities	<u>(131,470)</u>	<u>619,695</u>	<u>(8,263)</u>	<u>(378)</u>	<u>(662)</u>	<u>(1,389)</u>	<u>(456)</u>	<u>-</u>	<u>477,077</u>
Net increase (decrease) in cash and cash equivalents	6,256,926	7,516,412	1,407,356	149,334	494,608	(123,108)	32,135	-	15,733,663
Cash and investments at beginning of period	17,434,277	34,730,157	10,927,555	852,229	7,754,116	154,981	163,801	-	72,017,116
Cash and investments at end of period	<u>\$ 23,691,203</u>	<u>\$ 42,246,569</u>	<u>\$ 12,334,911</u>	<u>\$ 1,001,563</u>	<u>\$ 8,248,724</u>	<u>\$ 31,873</u>	<u>\$ 195,936</u>	<u>\$ -</u>	<u>\$ 87,750,779</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	\$ 6,267,155	\$ (1,555,416)	\$ (843,967)	\$ (431,481)	\$ (4,730)	\$ (2,050,080)	\$ 28,007	\$ -	\$ 1,409,488
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation and amortization	7,092,886	1,395,374	218,328	472,025	-	872	-	-	9,179,485
Inventories	(16,070)	-	-	-	-	-	-	-	(16,070)
OPEB expense	(136,000)	-	-	-	-	-	-	-	(136,000)
Pension expense	1,423,484	-	-	-	-	299,366	-	-	1,722,850
Change in assets and liabilities:									
Receivables, net	(327,507)	223,029	-	4,019	-	-	16	-	(100,443)
Accounts and other payables	518,470	274,476	(39,573)	(7,403)	-	(200,388)	20,792	-	566,374
Unearned revenue	-	-	-	-	-	-	-	-	-
Net Cash provided by Operating Activities	<u>\$ 14,822,418</u>	<u>\$ 337,463</u>	<u>\$ (665,212)</u>	<u>\$ 37,160</u>	<u>\$ (4,730)</u>	<u>\$ (1,950,230)</u>	<u>\$ 48,815</u>	<u>\$ -</u>	<u>\$ 12,625,684</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES									
Changes in fair value of derivative									
Contributions of capital assets	<u>\$ 16,893,994</u>	<u>\$ 312,476</u>							<u>\$ 17,206,470</u>
Transfer of capital assets from other funds		<u>\$ 528,230</u>							<u>\$ 528,230</u>
Amortization of bond premium		<u>\$ 461,964</u>							<u>\$ 461,964</u>
Amortization of deferred amount on refunding		<u>\$ (170,410)</u>							<u>\$ (170,410)</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$ 34,225,569	\$ -	\$ 2,472,272	\$ -	\$ -	\$ 36,697,841	\$ 23,901,599	\$ 34,559	\$ -	\$ -	\$ -	\$ 23,936,158
(18,121,070)	2,444,587	13,446	(2,337)	-	(15,665,374)	(13,949,153)	(81,831)	(107,913)	-	-	(14,138,897)
(7,771,470)	-	-	-	-	(7,771,470)	(6,983,871)	-	-	-	-	(6,983,871)
17,742	-	-	-	-	17,742	351,347	-	-	-	-	351,347
<u>8,350,771</u>	<u>2,444,587</u>	<u>2,485,718</u>	<u>(2,337)</u>	<u>-</u>	<u>13,278,739</u>	<u>3,319,922</u>	<u>(47,272)</u>	<u>(107,913)</u>	<u>-</u>	<u>-</u>	<u>3,164,737</u>
-	-	-	-	-	-	42,650	-	-	-	-	42,650
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
485,586	-	8,337,447	1,250,000	(9,216,063)	856,970	1,542,101	-	594,973	350,000	(934,973)	1,552,101
(13,949,486)	-	(867,724)	-	9,216,063	(5,601,147)	(1,809,316)	(62,984)	(664,468)	-	934,973	(1,601,795)
<u>(13,463,900)</u>	<u>-</u>	<u>7,469,723</u>	<u>1,250,000</u>	<u>-</u>	<u>(4,744,177)</u>	<u>(224,565)</u>	<u>(62,984)</u>	<u>(69,495)</u>	<u>350,000</u>	<u>-</u>	<u>(7,044)</u>
714,291	(1,297,330)	(8,123,257)	-	-	(8,706,296)	(1,945,003)	(25,128)	-	-	-	(1,970,131)
-	-	-	-	-	-	-	-	-	-	-	-
-	19,654,231	-	-	-	19,654,231	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(448,275)	-	-	-	(448,275)	-	-	-	-	-	-
-	(3,917,719)	-	-	-	(3,917,719)	-	-	-	-	-	-
7,400,929	4,156,634	637,954	-	-	12,195,517	-	625,259	-	-	-	625,259
<u>8,115,220</u>	<u>18,147,541</u>	<u>(7,485,303)</u>	<u>-</u>	<u>-</u>	<u>18,777,458</u>	<u>(1,945,003)</u>	<u>600,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,344,872)</u>
(2,499)	4,088	(19,348)	(12,109)	-	(29,868)	10,157	(6,186)	8,937	(2,532)	-	10,376
-	(24,965,329)	-	-	-	(24,965,329)	-	-	-	-	-	-
<u>(2,499)</u>	<u>(24,961,241)</u>	<u>(19,348)</u>	<u>(12,109)</u>	<u>-</u>	<u>(24,995,197)</u>	<u>10,157</u>	<u>(6,186)</u>	<u>8,937</u>	<u>(2,532)</u>	<u>-</u>	<u>10,376</u>
2,999,592	(4,369,113)	2,450,790	1,235,554	-	2,316,823	1,160,511	483,689	(168,471)	347,468	-	1,823,197
19,120,177	4,677,435	30,404,763	4,189,668	-	58,392,043	17,263,674	2,925,910	2,474,599	1,570,996	-	24,235,179
<u>\$ 22,119,769</u>	<u>\$ 308,322</u>	<u>\$ 32,855,553</u>	<u>\$ 5,425,222</u>	<u>\$ -</u>	<u>\$ 60,708,866</u>	<u>\$ 18,424,185</u>	<u>\$ 3,409,599</u>	<u>\$ 2,306,128</u>	<u>\$ 1,918,464</u>	<u>\$ -</u>	<u>\$ 26,058,376</u>
\$ 4,193,764	\$ (3,716,448)	\$ (174,906)	\$ (2,337)	\$ -	\$ 300,073	\$ 1,869,230	\$ (131,705)	\$ (108,686)	\$ -	\$ -	\$ 1,628,839
5,541,340	5,701,545	566,483	-	-	11,809,368	153,029	17,180	12,092	-	-	182,301
13,499	-	-	-	-	13,499	(137,785)	-	-	-	-	(137,785)
2,576,529	-	-	-	-	2,576,529	841,000	-	-	-	-	841,000
(1,232,295)	-	-	-	-	(1,232,295)	858,400	-	-	-	-	858,400
(522,248)	-	(188,677)	-	-	(710,925)	(4,800)	34,559	-	-	-	29,759
(2,219,818)	459,490	2,282,818	-	-	522,490	(259,152)	32,694	(11,319)	-	-	(237,777)
-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 8,350,771</u>	<u>\$ 2,444,587</u>	<u>\$ 2,485,718</u>	<u>\$ (2,337)</u>	<u>\$ -</u>	<u>\$ 13,278,739</u>	<u>\$ 3,319,922</u>	<u>\$ (47,272)</u>	<u>\$ (107,913)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,164,737</u>
	<u>\$ 3,679,816</u>				<u>\$ 3,679,816</u>						
<u>\$ 15,545,670</u>					<u>\$ 15,545,670</u>						
<u>\$ 450,342</u>					<u>\$ 450,342</u>		<u>\$ 583,912</u>				<u>\$ 583,912</u>
	<u>\$ 1,875,636</u>				<u>\$ 1,875,636</u>						



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

To the 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, 2018, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated March 7, 2019. Our report includes 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, 2018. Our reporting includes an emphasis of matter paragraph regarding the adoption of new accounting principles, effective July 1, 2017.

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.



Sacramento, California

March 7, 2019

