

**DIE CUT AREA
(DO NOT PRINT)**



**CONNECTING
TO THE
ENVIRONMENT
2015 ANNUAL REPORT**





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California has endured its fourth year of drought. That's why the employees of Roseville Environmental Utilities (EU) and its customers are working harder than ever to make sure every drop of water counts. They can't make it rain or snow, but our employees and customers are doing just about everything else to stretch our water supply and meet state water-use goals.

RICHARD D. PLECKER

Roseville Environmental Utilities Director

Pictured Left: Cody Wilbanks from Wastewater Collections

Director's Message

In this report, I will shine a light on how our customers and employees are joining forces as stewards of the environment, the community and the future. Roseville will thrive because our employees are creative and dedicated and our customers are enthusiastic partners. We are working together so that Roseville can continue fulfilling its potential. Together, we are sustaining — and improving — life in our corner of the world.

I lived in Roseville for 23 years before I became Environmental Utilities director in January 2014. I was proud to call Roseville my home before I became an EU employee. Now, I am proud to say I work alongside EU's talented and driven employees like Michelle Sullivan, Jose Lopez and Larry Winter, just to name a few. And I am pleased to serve customers like Jere Myers, Robert Yarrigle and Nadine Young.

Employees and customers, working together, can solve almost any problem. A big part of addressing tomorrow's challenges is getting an early start. Unlike some areas, EU and its customers have been implementing environmental stewardship programs for decades. Because we got an early start, the changes we implemented in fiscal year 2015 were less dramatic than other areas that simply waited for the snow to fall.

As an engineer, I marvel at the large and complex systems our thoughtful forefathers built, like the federal highway system and the Central Valley Project (CVP). Those projects sustain and enhance our lives today. In crafting solutions that will enhance our children's quality of life, we must be similarly bold and far-sighted.

I don't think we'll see megaprojects like the highway system and the CVP built in the future. We're in a different era now, one that makes building really large projects difficult if not impossible. That means we'll have to find other ways to make sure our descendants enjoy the same or better quality of life as we enjoy today.

For me, the answer rests largely on our employees. They are united in their passion for serving customers and being stewards of our environment and community. They live to serve, and we are better for it.

Our employees are working more holistically on the challenges we face. Today, EU employees are tackling water, wastewater and solid-waste challenges in an



integrated, cross-functional fashion. Making greater use of recycled water on Roseville's golf courses and city parks helps us conserve our fresh-water resources. Keeping fats, oils, grease, household hazardous materials and prescription drugs out of our solid-waste and wastewater streams lowers the stress on those systems and reduces operating costs, helping keep your bills low.

And many of these increasingly interconnected issues also intersect with Roseville Electric Utility, our sibling city-owned electric provider. For example, Roseville Electric's power plant cools its generators with recycled water supplied by EU, saving costs as well as precious fresh water. We have started investigating the potential to generate electricity from biomass recovered at our wastewater plants. And EU and Roseville Electric are analyzing the costs and benefits of installing advanced, two-way, digital water and electric meters at customers' homes and businesses, to make our respective operations even more efficient.

Our employees, long accustomed to being subject-matter experts at analyzing our discrete challenges in water, wastewater and solid waste, are becoming synthesizers of leading-edge technologies and practices. If an approach or a process works in one of our utilities, we are increasingly asking ourselves, could it work in another?

I sincerely appreciate the knowledge and dedication of EU employees.

In our business, it is a truism that even the most creative employees cannot, by themselves, meet every challenge Roseville faces. We can design programs to preserve our natural resources, but without the participation and partnership of our customers, those programs will not accomplish anything.

But working in alignment with customers, there's no limit to what can be achieved. Customers participate in our water-efficiency programs. Customers visit the Utility Exploration Center. We collect household hazardous wastes set aside by our customers. Customers and employees share a common desire to preserve the beauty and vitality of Roseville, and help it achieve its potential.

And that makes my job easier. My work at EU consists of setting goals, measuring and recognizing success, nurturing holistic thinking and staying out of the way. It's the most rewarding job I have ever had.

Sincerely,

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

Environmental Stewardship



Right: EU's Michelle Sullivan and water customer Jere Myers discuss his new water-wise landscape.



Trade Your Grass for Cash

Jere Myers joined the trend to drought-tolerant lawns during fiscal 2015 by participating in EU's highly successful "Cash for Grass" program. He removed 2,394 square feet of turf from his home, replaced it with rock, 33 drought-tolerant plants, two low-water trees and a drip-irrigation system. Jere received a \$1,000 reimbursement check from EU and a matching check from the state.

"My wife and I have lived in our home for 35 years, and I have wanted to remove the turf for several years," Jere told us. "But my wife wasn't sure, so we held off. Then, after a trip to Mexico, I came home and found a five-gallon bucket in the shower. My wife said, 'Did you know we're in the middle of a terrible drought? Every drop counts!' So that's when we decided to replace our lawn."

"I worked with Michelle Sullivan at EU," he said. "She was so helpful and easy to work with. She was really excited that we would be removing that much turf. She's a real credit to EU. Roseville is a very, very nice place to live, and the city is very proactive and responsive on water issues."

Jere continued: "My wife and I love what we did, and it's almost obscene how little it cost me. For example, my water use is down about 68 percent, which saves me money, and I'm saving an additional \$100 per month because I no longer need a gardener to cut my lawn. And the state matched Roseville's incentive check."

"Our customers have done an amazing job lowering their water use," said Michelle Sullivan, an EU water-efficiency technician. "Their high level of participation in our water-efficiency programs is one way we are making common cause during this historic drought."

Roseville is a very, very nice place to live, and the city is very proactive and responsive on water issues.

JERE MEYERS
Roseville Resident



Left: Larry Winter, long time EU solid waste employee, is one of several employees that help maintain the free pick up program.

It means a lot to me that EU would come out and help me get rid of my television in a way that respected the environment

ROBERT YARRIGLE

Roseville Resident

Bobby Alvarez oversees EU's water-efficiency efforts. He manages a team of technicians, customer service techs and administrative support. These experts spearhead the effort to help residents and commercial businesses use water more efficiently.

Customers like Jere Myers tell us the changes they made were not hard, and they appreciate EU's help in achieving their personal goals. And the benefits? Leaving aside the obvious benefit of stretching our shared fresh-water resources, how about not having to cut your lawn during the summer, when it's so hot outside? Water-wise landscapes give you more free time to do what you want — like playing with your kids, improving your golf game, tinkering with your car, volunteering, going for a hike or reading under a cool shade tree.

Recycling Water

The next time you hit the links at Diamond Oaks or Woodcreek, you can be assured that the course embraces sustainable practices by using recycled water from EU. We estimate EU supplies about 750 million gallons of recycled water each year to those courses,

which lessens the need for fresh water to keep the greens green and the fairways fair.

Will that, by itself, help your short game? Maybe not. But it's nice to know that Roseville's Parks, Recreation & Library Department is partnering with EU to provide golfers with an experience that is challenging, enjoyable and sustainable.

If golfing is not your cup of tea, how about picnicking in the park? Playing chess under the trees? Or riding bikes on Roseville's bike trails? However you like to spend your leisure time, the Parks, Recreation & Library Department's use of recycled water in city parks means you don't have to sacrifice your beautiful, verdant vistas just because we didn't get much snow last year.

Did you know most trees in Roseville's parks are watered using recycled water? The city controls most, but not all, median strips on surface streets, and many city-owned median strips are irrigated using recycled water. Developers building new office parks or residential subdivisions are required to use recycled water to control dust on the construction site.

"We started using recycled water to control dust at our construction sites in fiscal 2015, and it's worked great," said John Tallman, partner at Westpark Communities, which is developing the WestPark and Solaire communities in West Roseville. "When we're building homes, there's no reason to manage the dust using precious potable water. It's the right thing to do, and it saves us money. What's not to like?"

Look around our city and you will find numerous pipes and water-pumping stations painted purple. That was not an aesthetic choice, nor was it the result of a neighborhood's beautification program. Rather, those purple water fixtures carry recycled water. So every day, when residents see the purple pipes, they will know we are working hard to optimize our water resources.

Dispose Your Household Hazardous Waste

Another way we collaborate with customers is by keeping household hazardous wastes out of the city's solid-waste and wastewater streams. Rather than throw those materials into a solid-waste container, or pour them down a drain, residents can call EU and a technician will come to their home and pick the materials up at no extra charge as part of their regular service.

"It means a lot to me that EU would come out and help me get rid of my television in a way that respected the environment," said Robert Yarrigle, a longtime Roseville resident. "Otherwise, what would I have done with it? Scheduling the pickup was easy. I put it at the curb one day at 7 a.m., and by noon it was gone. I definitely recommend the household hazardous waste pick-up service to my neighbors."

Nadine Young, another customer, agrees: "The young man who picked up my TV and light bulbs was such a gentleman, and so upbeat — friendly, efficient, an absolute delight! It means everything that EU offers this service. It's a wonderful service, and I can't say enough good things about it or the people."

Larry Winter is one of our solid-waste truck drivers who pick up customers' unwanted televisions, CFLs, water heaters, computers, printers as well as fats, oils and grease (FOG). He's worked for Environmental Utilities for 18 years,

DURING FISCAL YEAR 2015 EU TECHNICIANS COLLECTED



588

GALLONS OF USED MOTOR OIL
AND 191 CAR OIL FILTERS



1,258

FLUORESCENT LIGHTING TUBES



767

POUNDS OF
HOUSEHOLD
BATTERIES



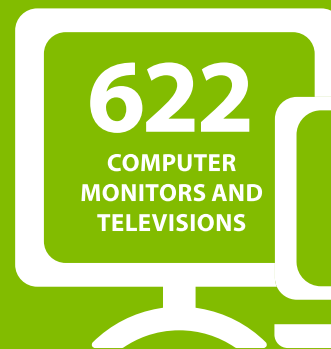
52

CAR BATTERIES



336

GALLONS OF
FATS, OILS
AND GREASE



622

COMPUTER
MONITORS AND
TELEVISIONS



163

COMPUTERS



3,106

MISCELLANEOUS PIECES OF
ELECTRONIC WASTE LIKE OLD
CELL PHONES AND PIECES OF
STEREO EQUIPMENT



FACT

214 EU customers participated in our “Cash for Grass” program in fiscal year 2015, removing 196,181 square feet of water-thirsty lawn and replaced it with drought-tolerant vegetation and drip-irrigation systems. Collectively, we estimate those measures saved between 9.6 million and 13.8 million gallons of fresh potable water, depending on whether customers installed drip irrigation. Since the “Cash for Grass” program was launched in 2008, 750 customers have replaced 826,944 square feet of turf, saving a total of between 40.4 million and 58.4 million gallons of fresh potable water.



and he's proud to be part of the team that provides that service to customer-owners.

"Our goal is to provide above-and-beyond service to our customers, and the reactions I get from customers tell me that's what they're receiving," Larry said. "Most times, they're amazed we'd pick these materials up at all, as part of their regular service, let alone do it at no extra charge."

"The other day I was walking a new customer through the service and he said, 'Wow, that's another reason we're glad we moved to Roseville,' " Larry added. "We want to help customers dispose of their unwanted household hazardous waste in a way that protects the environment."

New Water Sources

Being an environmental steward takes many forms at EU. Employees in our water utility are taking steps to stretch our fresh-water supply. One way to do that is to acquire more fresh-water supplies. But another way is to drill new groundwater wells. Last fiscal year we drilled two new groundwater wells, which could serve as a new source of drinking water. And they also serve as storage reservoirs, where we could bank unused water during wet years.

Those two new groundwater wells are part of our Aquifer Storage and Recovery Project. Right now, all of Roseville's water comes from the American River and is stored at Folsom Lake. Being able to extract water from underground reservoirs, or inject fresh water into those reservoirs when we have more than we need, gives us added flexibility to serve our customer-owners during wet or dry years. The great news is: should we receive plentiful rainfall, we can store surface water underground with this system.

Acquiring new supplies of water, adding flexibility to the way we manage water resources and the continued strong participation by customers in voluntary water-reduction programs, is a winning combination that will ensure there is sufficient water to support current and future residents and businesses in Roseville.

To top it off, this year our water won a blind taste-test competition from the Regional Water Authority!

Left: The city's water supply reliability includes a groundwater well system available to provide emergency water supply back up.

Community Stewardship



Bring your lunch beverage in a reusable container to reduce the amount of solid waste that goes into landfills.

UEC's Lunch Dump Program

"EEEWWW!!!"

It's a sound we hear a lot at the Utility Exploration Center (UEC). It's a great sound. It's the sound 80 first grade students make after they see the inside of a worm compost bin for the first time.

"Is that worm poop?" one student asked with some trepidation.

"Yes, this compost is worm poop," answered Brayden Mitchell, one of the center's interpretive specialists.

"EEEWWW!!!"

The students were participating in the center's highly entertaining "Lunch Dump" program. After a full morning of hands-on learning at the UEC, students ate their lunch and then dropped their garbage into a trash bin. The lunch waste was collected in a kiddie swim pool, and Brayden rooted through it to show students and parents the lunch items that didn't have to go into the trash if different choices were made when those lunches were packed.

He held up a plastic sandwich bag containing an uneaten peanut butter sandwich that someone sat on. "If you used a reusable hard plastic container, it would not only save landfill space, but it could save your sandwich the next time someone sits on it," Brayden said.

Next he fished out several juice boxes and explained they contain paper, plastic and aluminum foil. All of these elements combined make juice boxes unrecyclable. A more sustainable choice: Bring your lunch beverage in a reusable container to reduce the amount of solid waste that goes into landfills.

Once all recyclable materials were removed from the lunch waste stream, the remaining food waste would be composted with the help of 500 red wiggler worms.

Lunch for the students from Quail Glen Elementary School followed a busy morning participating in the UEC's "Stuff Busters" school program, where they learned, in a highly interactive way, about concepts in reducing waste, reducing water and energy waste, decreasing pollution and living more sustainably. The students crawled through a (sanitized) sewer pipe in the center's trash pile exhibit, punched buttons, peered through windows, spun dials and opened doors to learn about landfills, petroleum use, carbon dioxide emissions, recycling, renewable energy and water pollution. In addition to programs on waste reduction, the Center also offers school programs on energy efficiency, water conservation and watershed protection.

That morning, the students from Quail Glen Elementary School learned that:

- Banana peels take one month to break down
- Fast-food cheeseburgers take about six months to decompose
- Aluminum cans take between 80 and 200 years to break down
- Styrofoam cups and disposable diapers take between 400 and 500 years to decompose
- Plastic milk jugs take about 1,000 years to break down
- Glass bottles never decompose, and
- There are six choices they can make relating to their garbage: recycle, reuse, rethink, compost, dispose of household hazardous waste and, lastly, landfill

"The UEC is a great community asset," said Krista Richardson, a first-grade teacher at Quail Glen Elementary. "The center's hands-on approach makes learning fun for the students. The interpretive specialists do a terrific job reaching the students at their level. The exhibits and activities are a powerful way for the students to truly understand how they are part of a larger ecosystem. And the Lunch Dump program is just awesome!"

The Roseville Utility Exploration Center is one of the reasons I'm glad I live here. It's so important to teach students and parents about recycling and sustainable living.

TIFFANY
Parent

Parents agree: "I'm glad my child is learning about recycling here," said Veronica, a mother to one of the Quail Glen students. Goran, another parent of a first-grader, said, "This is a great resource, especially with the drought. I'm glad we're talking about reducing water use, shrinking our waste stream and living more sustainably."

A third parent, Tiffany, said it best: "The Roseville Utility Exploration Center is one of the reasons I'm glad I live here. It's so important to teach students and parents about recycling and sustainable living."

The UEC receives funding from Roseville Environmental Utilities as well as Roseville Electric Utility. But funding UEC is only part of EU's commitment to stewardship of the environment and community.



FACT

In fiscal year 2015, over 36,000 visitors came to the Utility Exploration Center, continuing a multi-year trend of increasing attendance. The center also continued to record higher numbers of students participating in activities.



Doing More With Less

EU operates a Solid Waste utility that collects about 100,000 tons of solid waste from homes and businesses each year — enough to fill an aircraft carrier! Recyclable materials — plastic milk jugs, glass bottles, newspapers and aluminum cans — account for about 74% of the city's solid waste stream. At the nearby Materials Recovery Facility, affectionately known as “the MRF” (sounds like “Murph”), recyclable materials are separated from non-recyclable materials.

By capturing recyclable materials, and making compost from your green waste, we and our partners in Placer County are working to conserve precious landfill space and enhance our quality of life.

Our Solid Waste utility also revised its trash truck pickup routes in the just-completed fiscal year. By reconfiguring these truck routes, we were able to delay the purchase of another trash truck, which saved customers about \$350,000. The Solid Waste utility, like the EU Water and Wastewater utilities, is doing more with less, which benefits customers by keeping monthly utility bills low.

Keeping your utility bills low is one of our most important goals, right up there with improving your quality of life. One way we are doing that is our Cured-in-Place Pipe (CIPP) program. Now, rather than replacing a wastewater pipe by digging up a street, which disrupts traffic, Roseville's Wastewater Utility is using advanced technology to repair underground pipes and plug leaks without tearing up streets. And the CIPP costs between 25 percent and 75 percent less than the traditional method of dig-and-replace.

Our Wastewater utility also is using closed-circuit television cameras to inspect and assess the integrity of our pipes and systems. By recording data from these inspections of our pipes and other assets, we can pinpoint which pipes and other assets need to be rehabilitated or replaced.

“Our CIPP program allows us to repair sewer pipes without having to dig up streets,” said Jose Lopez, one of our senior engineers. “CIPP is one of our most-efficient rehabilitation methods. We work through a manhole

and insert a resin-infused tube into a pipe that needs to be repaired. Steam or hot water is used to fill the tube to activate the resin and harden it. Once hardened, a new pipe is formed within the old pipe.”

“Depending on how many miles of pipe we need to rehabilitate, the CIPP program saves our customer-owners hundreds of thousands, if not millions, of dollars each year,” Lopez said. “We have repaired about 30 miles of pipe since the program began in 2008, and we estimate the CIPP program has saved customers at least \$7 million since then. And by not digging up streets to repair pipes, we lower our risks and spare homeowners and businesses the hassle of detours and congested traffic that result from conventional dig-and-replace methods. I don't know how to put a price tag on avoided aggravation, but I'm sure it's well north of zero.”

“On average, we would have to pay about \$143 per foot for traditional dig-and-replace work,” said Chris Bracco, EU's Wastewater Collection Superintendent. “Using that traditional method would also require placing a metal plate across the trench for at least a week while the work is being done. Driving over a metal plate can startle drivers and create hazards. But using CIPP, our costs can be as low as \$37.50 per foot, and that process saves a lot of money, time, noise and driver inconvenience.”



Pharmaceutical Take-Back Program

Twice a year, we co-sponsor Pharmaceutical Take-Back Days where residents can drop off their unused and unneeded medication, rather than pour it down the toilet or put it in the trash. This program is a solid partnership with Placer County, the cities within the county and local law enforcement agencies. Not only does this program keep our communities clean, it keeps families safe.

In fiscal year 2015, we collected 3,174 pounds of unneeded medication. Keeping these medications out of the waste stream is an important part of minimizing costs and risks: if those materials don't get into the waste stream, then we don't have to spend money to remove them.

"Unfortunately, we've seen a nationwide epidemic in the abuse of prescription medications over the past several years," Roseville Police Chief Daniel Hahn told us. "People may start out with a legitimate medical need that gets out of hand, or they might get someone else's drugs from the home medicine cabinet and experiment with them for recreational use. We've seen too many people transition from abusing prescription narcotic drugs, like Norco and Oxycontin, to using heroin. Their addictions impact the quality of the life for the whole community, as they become desperate and turn to stealing in order to fund their drug habits. It's also led to tragic overdose deaths."



The chief continued: "Safe disposal opportunities are essential to preventing these tragedies. The take-back events help raise awareness. They remind everyone of how potentially dangerous these drugs are, and how important it is to secure them, keep track of them and safely and securely dispose of them when they are no longer needed for legitimate medical reasons."

"The medication-take-back events we conduct in partnership with EU have become extremely popular in our city," Chief Hahn pointed out. "In fiscal year 2015, we recovered over 3,100 pounds of unneeded or expired medications, and safely disposed of them. As soon as we finish one event, our residents start asking when the next one will occur. This wouldn't happen without the support of EU, and we count on their partnership in this important and life-saving effort."

Keeping Workers and Residents Safe

This year, our Solid Waste utility implemented several Safety Solutions to protect workers and residents. The drivers in the Solid Waste utility perform hard physical labor as they pick up the community's trash. For example, one task involved the driver climbing on top of the front-loader truck to dislodge debris that could become a projectile while in transit to the landfill. By installing a rail on the top of the truck body, and providing drivers with a safety harness and tether lanyard, we eliminated the risk for falling while on top of their vehicles.

"We're vigilant about eliminating slips, trips and falls," said John Parente, our safety coordinator. "When it comes to safety, close calls signal an opportunity not only to improve our operations but to better protect our employees and the public from foreseeable potential hazards. Through our Safety Solutions program, we train our employees to recognize potential safety issues and to find ways to minimize risks."

John recalled the time when one of our Wastewater employees noticed a new light fixture sticking out of the sidewalk on the corner of Washington and Main streets. "Our concern was that this fixture could trip unwary pedestrians or skateboarders. While the light was designed to illuminate the corner's street signs, it also

Right: John Parente, EU's safety coordinator, oversees all safety aspects for the department.



posed a potential safety issue. As a result, that fixture was removed.”

“Our employees are out in the community every day, and they are trained to recognize potential safety issues,” John noted. “By flagging those issues and recommending solutions, they are working to prevent injuries to their fellow employees as well as the community.”

Recently, an employee of our water utility was working near the Galleria Mall when he noticed a partially uncovered underground box alongside a sidewalk. That uncovered box could prove inviting to wild animals looking to set up a den. Or it could be an accident waiting to happen to people or pets. “Our employee found a way to immediately cover the box opening until a repair crew could be dispatched to the site,” John said. “That employee likely prevented an injury to one or more people.”

Our employees are your neighbors. We feel strongly that, at the end of their shift, they should go home safe and sound to their loved ones in the same condition in which they arrived at work.

When workers are injured, they cannot participate fully in family and community activities, adding a psychological burden to their physical impairment. Worker safety is a fundamental principle at Roseville EU. It’s the right thing to do, and it saves money, further helping our efforts to keep your monthly utility bill as low as possible.

Informing the Community

Surviving and thriving in the continued drought means EU must be at the forefront of keeping the community informed about ever-changing water use regulations. Keeping the drought top-of-mind takes time and resources.

In addition to partnering with the UEC on free, water-wise gardening workshops, EU held a stakeholder meeting with members of the Roseville Community of Neighborhood Associations (RCONA) to better understand the community’s interests and needs related to the drought. Following that meeting, we increased our outreach and marketing efforts to spread the word. Success in beating the drought means all stakeholders need to come together to fully understand the magnitude of the challenge as well as the laws and policies governing water use in the state of California.

Roseville is a vibrant community with a desirable quality of life. Our job is to keep it that way by providing excellent service at an affordable price to residents and businesses.

We see investments to maintain and enhance our quality of life as a natural outgrowth of our mission to serve. Investing in sustainability education while working to lower costs and enhance safety all spring from a common shared value of helping fulfill Roseville’s potential.

Investing in the Future



A City of Growth

Consciously or unconsciously, each generation makes investments for itself and for its children. Wanting to do better than our parents is part of the American Dream. And parents and grandparents want their offspring to have an even better life. That's woven into our society's collective mindset.

Realizing the dream of a better tomorrow starts with taking care of what we have today. That means regularly maintaining our pipes, trucks, plants and other physical assets. Unlike some cities, we have a fully funded asset-rehabilitation program. Our pay-as-you-go philosophy means lower long-term costs to you, our customer-owners. In this way, we're like drivers who replace the tires on their cars when necessary. Or homeowners who paint their homes every so often. Pay a little today to maintain what you have, and you won't have to face a catastrophic bill in the future.

Roseville, because of its natural beauty and natural resources, is an attractive place to live, work and do business. As our city has grown, its needs have grown. Most planners see growth continuing in Roseville: The city is expected to double in size over the next 50 years.

That's why we insist that growth pays for growth. It is one of our bedrock values. Today's residents pay for services they receive today. Tomorrow's residents will be expected to pay for the incremental needs they create.

Some ask, "How can Roseville grow during a drought?" It helps if everyone pays their fair share. Newly built houses or businesses include fees that reflect the cost of providing new services. If developers cannot secure dedicated water resources, those proposed homes and

Realizing the dream of a better tomorrow starts with taking care of what we have today.





FACT

The major bond-rating agencies like EU's adopted key financial policies, adequate water resources (even during ongoing drought conditions), and affordable rates. This combination helped us achieve an "AA-" rating.

business centers will not get built. Living in a drought has pointed up the added costs — among them water, wastewater and solid waste — created by growth.

Today, you can see a lot of development activity taking place in West and Northwest Roseville. Any time you see bulldozers moving earth, or carpenters framing houses, you can be sure the developer has paid the cost and secured the resources necessary to support that development.

John Tallman, a partner at Westpark Communities, said he "thoroughly enjoys working with EU and all the city departments in Roseville. We have looked into working in other areas, but we always come back to Roseville because of the certainties that a full-service city provides. It's a one-stop shop, and the employees have a real can-do attitude."

John added that developers procure water resources collaboratively with the city: "Roseville has always required that new development identify a new supply of water as part of the development review process. Unlike other jurisdictions, Roseville allocates water supply to projects so that when development begins, everyone knows there is sufficient water to serve the project."

"In the past, options for new water supply have included purchasing new supplies, implementing aggressive water conservation policies or increasing the use of recycled water in projects," John continued. "Roseville knows how to plan for growth: they assemble a team, they're efficient and the process moves in a predictable fashion."

John's company works closely with Dale Olson, one of EU's principal engineers, to ensure new development proceeds in a thoughtful and measured pace. "We do a lot of analytic work before any dirt is turned on a new development," Dale told us. "We work collaboratively with developers to identify future water needs and resources. Our job is to look out for the interest of our customer-owners. In Roseville, growth pays for growth."

Planning Our Future

Another way we are investing in the future is our use of advanced software to enable process-driven practices to better manage our physical assets, streamline workflows

and schedule preventative maintenance. Our Asset Management Program utilizes robust business-process-driven data collection and work management plus advanced data analytics to drive decision-making: Should we repair this piece of equipment, or is it time to replace it?

We're also asking our employees to help us create the future. We recently finished a strategic planning effort that included inviting employees to help us co-create EU's future. To what should we aspire? How is the best way to get there? How quickly can we get there? What are the costs and benefits?

Dozens of employees participated in that planning process. One, Rahul Nand, had this to say: "I am a relatively new employee. The fact that I was invited to sit alongside longtime employees and collaboratively create a vision, mission and set of operating goals made me feel proud to work here. Because my input was sought out, I tried to make thoughtful contributions that would improve our services and lower our costs."

Those closest to the work generally have the best insights into the problems they face and the solutions that could work. Too often companies ignore advice from front-line employees. But we consciously seek it out, knowing that all knowledge and wisdom does not reside in executives' offices.

Together, our employees' knowledge and commitment, coupled with customers' behavior and support, will help ensure Roseville's potential will be realized.

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.

Estimated Monthly Utility Residential Rate Comparisons

Municipality	Water	Wastewater	Solid Waste	Total
City of Roseville	\$32.16	\$30.75	\$23.40	\$86.31
City of Lincoln	\$40.55	\$32.08	\$19.98	\$92.61
City of Citrus Heights	\$30.27	\$39.85	\$27.05	\$97.17
City of Rocklin	\$46.15	\$30.00	\$24.60	\$100.75
City of Davis	\$40.00	\$33.36	\$28.87	\$102.23
City of Folsom	\$37.55	\$40.15	\$25.50	\$103.20
City of Sacramento	\$37.79	\$41.10	\$41.67	\$120.56

Estimated Annual Utility Commercial Rate Comparisons

Municipality	Water (318,000 c.f.)	Wastewater (15,400 c.f.)	Solid Waste (2 yard bin 1 pickup/week)	Total
City of Roseville	\$3,826.20	\$5,359.20	\$998.40	\$10,183.80
City of Lincoln	\$5,078.16	\$2,989.73	\$1,614.88	\$9,682.77
City of Sacramento	\$3,754.45	\$7,482.77	\$1,168.32	\$12,405.54
City of Citrus Heights	\$5,259.60	\$6,189.28	\$1,144.56	\$12,593.44
City of Folsom	\$4,573.08	\$7,848.13	\$1,044.00	\$13,465.21





Fiscal Year 2015 Statistics

Utility Customer Breakdown

	Water	Wastewater	Solid Waste
Residential Customers	37,996	39,896	41,948
Commercial Customers	3,483	1,910	2,754
Total	41,479	41,806	44,702

Sales, Service and Employees

	Water	Wastewater	Solid Waste
Sales to Customers	\$21,403,868	\$24,019,647	\$21,393,859
Service (Water Production, Wastewater Treatment and Refuse Collected)	25,820 acre feet	5,827 gals	93,464 tons
Number of Employees (includes EU Admin and EU Engineering)	76.50	83	51

Utility Exploration Center Attendance

 = 1,000 People



\$45,841 Revenues
(partnerships, grants, fees)

4 Number of Employees

2015 Financial Statements



**ENVIRONMENTAL UTILITIES
ENTERPRISE FUNDS
CITY OF ROSEVILLE, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**CITY OF ROSEVILLE ENVIRONMENTAL
UTILITIES ENTERPRISE FUNDS**

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	6
Statement of Cash Flows	7
Notes to the Basic Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Environmental Utilities Enterprise Funds' Proportionate Share of the City's Miscellaneous Plan Net Pension Liability	40
Schedule of Pension Contributions	41
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position	43
Combining Statement of Revenues, Expenses and Changes in Net Position	44
Combining Statement of Cash Flows	47
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>	49

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 of the City of Roseville, California (City), as of and for the year ended June 30, 2015, 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 Environmental Utilities Enterprise Funds' 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 Environmental Utilities Enterprise Funds' 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, 2015, 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, 2015, 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.

Implementation of New Accounting Standards

As discussed in Note 1 to the financial statements, the Environmental Utilities Enterprise Funds of the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. 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 net pension liability and schedule of contributions on pages 39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Environmental Utilities Enterprise Funds' basic financial statements. The introductory section, statistical section and 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2016, 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 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 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
May 6, 2016

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Water	Wastewater	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and investments	\$ 57,400,845	\$ 42,534,266	\$ 22,263,832	\$ 122,198,943
Restricted cash and investments with fiscal agents	4,527,111	-	-	4,527,111
Receivables:				
Accounts, net of allowance for doubtful accounts	4,420,735	4,712,585	2,720,103	11,853,423
Accrued interest	161,380	81,048	42,546	284,974
Due from other government agencies	16,884	2,624,503	-	2,641,387
Prepays	72,057	-	-	72,057
Due from other funds	-	114,512	-	114,512
Inventories	449,790	4,695	123,786	578,271
Total Current Assets	<u>67,048,802</u>	<u>50,071,609</u>	<u>25,150,267</u>	<u>142,270,678</u>
Noncurrent Assets:				
Investments in SPWA reserves	-	71,340,564	-	71,340,564
Advances to other funds	1,342,268	-	-	1,342,268
Capital assets:				
Land and construction in progress	10,771,515	12,824,718	502,861	24,099,094
Capital assets being depreciated, net	<u>459,463,707</u>	<u>550,207,516</u>	<u>4,030,483</u>	<u>1,013,701,706</u>
Total Noncurrent Assets	<u>471,577,490</u>	<u>634,372,798</u>	<u>4,533,344</u>	<u>1,110,483,632</u>
Total Assets	<u>538,626,292</u>	<u>684,444,407</u>	<u>29,683,611</u>	<u>1,252,754,310</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	444,916	-	-	444,916
Accumulated decrease in fair value of hedging derivative	-	6,197,143	-	6,197,143
Deferred outflows related to pensions	1,395,584	1,473,359	788,593	3,657,536
Total Deferred Outflows of Resources	<u>\$ 1,840,500</u>	<u>\$ 7,670,502</u>	<u>\$ 788,593</u>	<u>\$ 10,299,595</u>

(Continued)

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2015**

Error! link.	Not	a		valid
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 1,237,982	\$ 2,867,878	\$ 662,777	\$ 4,768,637
Accrued liabilities	864,838	2,253,193	309,200	3,427,231
Due to other government agencies	-	944,052	-	944,052
Due to other funds	-	-	114,512	114,512
Current portion of compensated absences	532,465	510,737	252,599	1,295,801
Current portion of long-term debt	2,280,000	2,287,586	-	4,567,586
Deposits	31,000	-	-	31,000
Unearned revenue	-	-	35,221	35,221
Total Current Liabilities	<u>4,946,285</u>	<u>8,863,446</u>	<u>1,374,309</u>	<u>15,184,040</u>
Long-Term Liabilities:				
Long-term debt, non-current portion	39,840,502	88,154,159	-	127,994,661
Landfill closure and post closure liability	-	-	2,208,755	2,208,755
Compensated absences	1,006,402	1,107,326	440,370	2,554,098
Derivative at fair value	-	6,197,143	-	6,197,143
Net pension liability	14,604,584	15,418,718	8,257,654	38,280,956
Total Long-Term Liabilities	<u>55,451,488</u>	<u>110,877,346</u>	<u>10,906,779</u>	<u>177,235,613</u>
Total Liabilities	<u>60,397,773</u>	<u>119,740,792</u>	<u>12,281,088</u>	<u>192,419,653</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>2,062,327</u>	<u>2,177,292</u>	<u>1,166,071</u>	<u>5,405,690</u>
NET POSITION				
Net investment in capital assets	428,114,720	472,590,489	4,533,344	905,238,553
Restricted for debt service	4,315,500	4,829,982	-	9,145,482
Unrestricted	45,576,472	92,776,354	12,491,701	150,844,527
Total Net Position	<u>\$ 478,006,692</u>	<u>\$ 570,196,825</u>	<u>\$ 17,025,045</u>	<u>\$1,065,228,562</u>

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Water	Wastewater	Solid Waste	Total
OPERATING REVENUES				
Charges for services	\$ 23,110,559	\$ 31,588,263	\$ 21,393,859	\$ 76,092,681
Other	400,940	198,056	609,010	1,208,006
Total Operating Revenues	<u>23,511,499</u>	<u>31,786,319</u>	<u>22,002,869</u>	<u>77,300,687</u>
OPERATING EXPENSES				
Operations	12,418,866	18,056,379	16,062,703	46,537,948
Administration	2,621,756	793,263	677,083	4,092,102
Depreciation and amortization	8,620,895	11,796,925	330,232	20,748,052
Total Operating Expenses	<u>23,661,517</u>	<u>30,646,567</u>	<u>17,070,018</u>	<u>71,378,102</u>
Operating Income (Loss)	<u>(150,018)</u>	<u>1,139,752</u>	<u>4,932,851</u>	<u>5,922,585</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and rents revenue	724,286	276,001	139,326	1,139,613
Interest and fiscal charges (expense)	(1,524,609)	(3,580,611)	(7,234)	(5,112,454)
Cost of issuance	-	(222,981)	-	(222,981)
Gain (loss) from sale of property	(44,872)	(1,627,110)	-	(1,671,982)
Subventions and grants	1,038,348	-	121,674	1,160,022
Increase (decrease) in SPWA reserves	-	(192,634)	-	(192,634)
Net Nonoperating Revenues (Expenses)	<u>193,153</u>	<u>(5,347,335)</u>	<u>253,766</u>	<u>(4,900,416)</u>
Income (Loss) Before Contributions and Transfers	43,135	(4,207,583)	5,186,617	1,022,169
Capital contributions - connection/impact fees	6,241,387	7,299,640	404,797	13,945,824
Capital contributions from developers	10,850,570	12,457,302	-	23,307,872
Transfers in	4,678,106	3,698,827	94,536	8,471,469
Transfers (out)	<u>(7,536,485)</u>	<u>(7,430,302)</u>	<u>(3,568,044)</u>	<u>(18,534,831)</u>
Change in Net Position	14,276,713	11,817,884	2,117,906	28,212,503
Total net position-beginning, as restated	463,729,979	558,378,941	14,907,139	1,037,016,059
Total net position-ending	<u>\$ 478,006,692</u>	<u>\$ 570,196,825</u>	<u>\$ 17,025,045</u>	<u>\$1,065,228,562</u>

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 23,098,319	\$ 29,675,216	\$ 21,387,823	\$ 74,161,358
Payments to suppliers	(137,222)	(10,617,116)	(11,095,893)	(21,850,231)
Payments to employees	(14,620,599)	(6,172,806)	(5,612,068)	(26,405,473)
Other receipts	508,219	198,057	609,010	1,315,286
Net Cash Provided by (Used for) Operating Activities	<u>8,848,717</u>	<u>13,083,351</u>	<u>5,288,872</u>	<u>27,220,940</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	1,901,486	-	121,674	2,023,160
(Increase) decrease in due to other funds	-	(4,405)	4,405	-
(Increase) decrease in advances to other funds	318,914	-	-	318,914
(Increase) decrease in advances from other funds	-	114,512	(114,512)	-
Transfers in	4,678,106	3,698,827	94,536	8,471,469
Transfers (out)	(7,536,485)	(7,430,302)	(3,568,044)	(18,534,831)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(637,979)</u>	<u>(3,621,368)</u>	<u>(3,461,941)</u>	<u>(7,721,288)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(11,257,769)	(3,635,384)	(213,962)	(15,107,115)
Issuance of debt	-	17,955,392	-	17,955,392
Issuance of costs	-	(222,981)	-	(222,981)
Principal payments on capital debt	(2,170,000)	(20,631,436)	-	(22,801,436)
Interest paid on capital debt	(1,524,609)	(3,580,611)	(7,234)	(5,112,454)
Connection fees	6,241,387	7,299,640	404,797	13,945,824
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(8,710,991)</u>	<u>(2,815,380)</u>	<u>183,601</u>	<u>(11,342,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and rents received	744,389	266,399	134,133	1,144,921
Receipts from sale of (payment to acquire) investments, net	556,271	-	-	556,271
Cash Flows from Investing Activities	<u>1,300,660</u>	<u>266,399</u>	<u>134,133</u>	<u>1,701,192</u>
Net increase (decrease) in cash and cash equivalents	800,407	6,913,002	2,144,665	9,858,074
Cash and cash equivalents at beginning of period	56,600,438	35,621,264	20,119,167	112,340,869
Cash and equivalents at end of period	<u>\$ 57,400,845</u>	<u>\$ 42,534,266</u>	<u>\$ 22,263,832</u>	<u>\$ 122,198,943</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, 2015**

	Water	Wastewater	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ (150,018)	\$ 1,139,752	\$ 4,932,851	\$ 5,922,585
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	8,620,895	11,796,925	330,232	20,748,052
Change in assets and liabilities:				
Receivables, net	108,539	(1,913,046)	(6,368)	(1,810,875)
Prepays	(120,897)	51,005	58,201	(11,691)
Accounts and other payables	496,019	2,120,414	32,966	2,649,399
Net pension liability and related amounts	(105,821)	(111,699)	(59,342)	(276,862)
Unearned revenue	-	-	332	332
Net Cash provided by Operating Activities	<u>\$ 8,848,717</u>	<u>\$ 13,083,351</u>	<u>\$ 5,288,872</u>	<u>\$ 27,220,940</u>
NONCASH TRANSACTIONS				
Transfer of capital assets from other funds	\$ 144,389	\$ 155,766	\$ 16,896	\$ 317,051
Amortization of bond premium	\$ 137,959	\$ 201,973	\$ -	\$ 339,932
Amortization of deferred amount on refunding	<u>\$ (37,076)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,076)</u>

See accompanying notes to basic financial statements.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 (the 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.

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 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 and Water Engineering 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.

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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

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 of Roseville 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.

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. This separate financial statement element, *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 three 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 contributions made to the pension plan subsequent to the measurement date of the net pension liability and are described in Note 8.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Funds have one item that qualifies for reporting in this category. The deferred inflows related to pensions result from the difference between projected and actual earnings of plan investments and are described in Note 8.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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-three 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.

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	\$ 3,634,756
Additions	878,795
Payments	<u>(663,652)</u>
Ending Balance	<u>\$ 3,849,899</u>
Current Portion	<u>\$ 1,295,801</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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. New Accounting Pronouncements

Effective in this Fiscal Year

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement was implemented as of July 1, 2014.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement was implemented as of July 1, 2014.

Effective in Future Fiscal Years

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015. The City has not determined the effect of the statement.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The City has not determined the effect of the statement.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

L. New Accounting Pronouncements (Continued)

Effective in Future Fiscal Years (Continued)

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016. The City has not determined the effect of the statement.

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 not determined the effect of the statement.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for periods beginning after June 15, 2015. The City has not determined the effect of the statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for periods beginning after December 15, 2015. The City has not determined the effect of the statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The City has not determined the effect of the Statement.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement is effective for reporting periods beginning after June 15, 2015. The City has not determined the effect of the Statement.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement is effective for reporting periods beginning after June 15, 2016. The City has not determined the effect of this Statement.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. New Accounting Pronouncements (Continued)

Effective in Future Fiscal Years (Continued)

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. The City has not determined the effect of this Statement.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the effect of this Statement.

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 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 instead of cost, 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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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	\$ 122,198,943
Restricted cash and investments with fiscal agent	<u>4,527,111</u>
Total Cash and Investments	<u>\$ 126,726,054</u>

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 600
City of Roseville pooled cash and investments	112,747,424
Investments held by Environmental Utilities	9,450,919
Investments	<u>4,527,111</u>
Total Cash and Investments	<u>\$ 126,726,054</u>

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.

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:

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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 Funds	N/A	None to Aam-G
Certificates of Deposit	N/A - 30 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	AA
Federal Funds or Bankers' Acceptances	N/A - 270 days	None to A-1
Commercial Paper	180-270 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, 2015**

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, thus reversing unrealized market gains and losses.

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)				Total
	12 Months or Less	13 to 24 Months	25-60 Months	More than 60 Months	
Federal Home Loan Mortgage	\$ -	\$ 2,952,196	\$ 850,916	\$ -	\$ 3,803,112
U.S. Treasury Notes	1,616,268	2,424,880	1,606,659	-	5,647,807
Investments held with fiscal agent:					
Guaranteed Investment Contract	-	-	-	4,217,863	4,217,863
Money Market Mutual Funds (U.S. Securities)	309,248	-	-	-	309,248
Total Investments	<u>\$ 1,925,516</u>	<u>\$ 5,377,076</u>	<u>\$ 2,457,575</u>	<u>\$ 4,217,863</u>	<u>\$ 13,978,030</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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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, 2015, for each investment type as provided by Standard and Poor’s investment rating system:

	<u>AAA/AAAm</u>	<u>AA+/AA/AA-</u>	<u>Total</u>
<i>Investments:</i>			
Federal Home Loan Mortgage Corporation	\$ -	\$ 3,803,112	\$ 3,803,112
Money Market Mutual Funds (U.S. Securities)	<u>309,248</u>	<u>-</u>	<u>309,248</u>
Totals	<u>\$ 309,248</u>	<u>\$ 3,803,112</u>	4,112,360
<i>Exempt from Credit Rating Disclosure:</i>			
U.S. Treasury Notes			5,647,807
<i>Not Rated:</i>			
Guaranteed Investment Contract			<u>4,217,863</u>
Total Investments			<u>\$ 13,978,030</u>

G. Concentration of Credit Risk

Investments in any one issuer, other than U. S. Treasury Securities, money market mutual funds, California Local Agency Investment Fund and California Asset Management Pool that represent 5% or more of total entity-wide investments are as follows at June 30, 2015:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 3,803,112
FSA Security Assurance	Guaranteed Investment Contract	4,217,863

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers Among Funds and with the City

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2015, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
Water Operations	Water Engineering	\$ 171,283	(A)
	Wastewater Operations	622,835	(A), (B), (C)
	Solid Waste Operations	538,298	(A), (B)
Water Construction	Water Operations	113,350	(B)
Water Rehabilitation	Water Operations	1,248,796	(D)
	Wastewater Rehabilitation	2,505,257	(D)
	Water Engineering	25,000	(D)
Water Rate Stabilization	Water Operations	250,000	(B)
Water Engineering	Water Operations	1,107,447	(A)
	Wastewater Operations	898,683	(A), (B)
	Solid Waste Operations	113,035	(B)
Wastewater Operations	Water Operations	578,137	(D)
	Wastewater Rehabilitation	867,235	(B)
	Solid Waste Operations	578,137	(D)
Wastewater Rehabilitation	Water Rehabilitation	2,505,053	(D)
	Wastewater Operations	6,154,022	(B)
Wastewater Rate Stabilization	Wastewater Operations	500,000	(B)
Solid Waste Operations	Wastewater Operations	84,537	
Solid Waste Rehabilitation	Solid Waste Operations	464,647	(B)
Solid Waste Rate Stabilization	Solid Waste Operations	250,000	(B)
City of Roseville General Fund	Water Operations	2,705,577	(A), (B), (D)
	Water Construction	147,040	(A), (D)
	Water Rehabilitation	9,403	(A)
	Water Meter Retrofit	727	(A)
	Water Rate Stabilization	548	(A)
	Water Engineering	188,011	(A)
	Wastewater Operations	1,933,713	(A), (B), (D)
	Wastewater Construction	514	(A)
	Wastewater Rehabilitation	122,596	(A), (C)
	Wastewater Rate Stabilization	822	(A)
	Solid Waste Operation	1,628,877	(A), (B), (D)
	Solid Waste Capital Purchases	2,884	(A)
	Solid Waste Rehabilitation	3,515	(A)
City of Roseville Non-Major Governmental Funds	Water Operations	118,120	(C)
	Water Rehabilitation	34,572	(C)
	Water Engineering	7	(C)
	Wastewater Operations	88,595	(C)
	Wastewater Rehabilitation	43,512	(C)
	Solid Waste Operations	88,681	(C)
	Solid Waste Rehabilitation	31,493	(D)
City of Roseville Internal Service Funds	Water Operations	1,211,687	(A)
	Water Meter Retrofit	15,031	(A)
	Water Engineering	22,572	(A)
	Wastewater Operations	1,129,239	(A)
	Solid Waste Operations	583,121	(A)
Total Intrafund Transfers		\$ 29,686,609	
	Interfund Eliminations	(11,151,778)	
	Total	<u>18,534,831</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 service
- (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, 2015**

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, 2015, interfund balances comprised the following:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Water Construction	Water Rehabilitation	\$ 237,340 (A)
Wastewater Rehabilitation	Solid Waste Operations	<u>114,512</u>
		351,852
	Intrafund Eliminations	<u>(237,340)</u>
	Total	<u>\$ 114,512</u>

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

C. Long-Term Interfund Advances

At June 30, 2015, the funds below had made advances which were not expected to be repaid within the next year.

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount</u>
Water Rehabilitation	Water Construction	\$ 1,831,990
City of Roseville Community Facilities		
Districts Capital Projects Fund	Water Construction	671,134
	Water Rehabilitation	<u>671,134</u>
		3,174,258
	Intrafund Eliminations	<u>(1,831,990)</u>
	Total	<u>\$ 1,342,268</u>

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

Solid Waste Operations advance bears interest at 3.94%. It will be repaid over a period of 10 years ending in 2016.

Community Facilities Districts advance bears interest at the City's pooled interest rate plus 2.5%. It will be repaid over a period of 10 years ending in 2022.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS

A. Policies

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

	<u>Useful Lives</u>	<u>Capitalization Thresholds</u>
Buildings	20-40 years	\$ 10,000
Improvements	40 years	10,000
Machinery and Equipment	3-12 years	5,000
Flood Control Improvements	75 years	10,000
Plants and Substations:		
Sewer	15-60 years	10,000
Water	15-75 years	10,000
Distribution Systems:		
Sewer	75 years	10,000
Water	75 years	10,000

Major outlays for capital assets and improvements are capitalized as projects are construction. 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, 2015**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

B. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 5,784,165	\$ -	\$ -	\$ -	\$ 5,784,165
Construction in progress	13,353,465	14,586,245	(1,208,202)	(8,416,579)	18,314,929
Total Capital Assets Not Being Depreciated	<u>19,137,630</u>	<u>14,586,245</u>	<u>(1,208,202)</u>	<u>(8,416,579)</u>	<u>24,099,094</u>
Capital assets, being depreciated:					
Buildings	4,427,870	-	-	-	4,427,870
Improvements	2,647,220	113,916	-	1,179,080	3,940,216
Machinery and equipment	9,825,365	253,248	(10,138)	-	10,068,475
Flood control	8,830,439	-	-	-	8,830,439
Plants and substations	287,472,553	-	-	7,022,151	294,494,704
Distribution	986,416,091	23,496,636	(2,109,016)	532,402	1,008,336,113
Total Capital Assets Being Depreciated	<u>1,299,619,538</u>	<u>23,863,800</u>	<u>(2,119,154)</u>	<u>8,733,633</u>	<u>1,330,097,817</u>
Less accumulated depreciation for:					
Buildings	(633,849)	(109,905)	-	-	(743,754)
Improvements	(322,263)	(82,345)	-	-	(404,608)
Machinery and equipment	(6,841,018)	(420,709)	10,138	-	(7,251,589)
Flood control	(294,348)	(117,739)	-	-	(412,087)
Plants and substations	(89,103,889)	(6,438,693)	-	-	(95,542,582)
Distribution	(198,838,363)	(13,881,515)	678,387	-	(212,041,491)
Total Accumulated Depreciation	<u>(296,033,730)</u>	<u>(21,050,906)</u>	<u>688,525</u>	<u>-</u>	<u>(316,396,111)</u>
Net Capital Assets Being Depreciated	<u>1,003,585,808</u>	<u>2,812,894</u>	<u>(1,430,629)</u>	<u>8,733,633</u>	<u>1,013,701,706</u>
Funds Capital Assets, net	<u>\$ 1,022,723,438</u>	<u>\$ 17,399,139</u>	<u>\$ (2,638,831)</u>	<u>\$ 317,054</u>	<u>\$ 1,037,800,800</u>

During fiscal year 2015, the City transferred construction in progress related to the Enterprise Asset Management system in the amount of \$317,054 to the Funds.

C. 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	\$ 6,474,930
Water Construction	1,569,357
Water Rehabilitation	199,273
Water Meter Retrofit	474,961
Water Engineering	3,255
Wastewater Operations	4,965,315
Wastewater Construction	6,556,798
Wastewater Rehabilitation	476,785
Solid Waste Operations	242,800
Solid Waste Capital Purchases	41,615
Solid Waste Rehabilitation	45,817
Total Funds Depreciation Expense	<u>\$ 21,050,906</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
Certificates of Participation:						
2007 Water Utility Revenue, 4.0-5.0%, due 12/1/27	\$ 53,695,000	\$ 42,635,000	\$ -	\$ (2,170,000)	\$ 40,465,000	\$ 2,280,000
Add: deferred bond premium	2,759,170	1,793,461	-	(137,959)	1,655,502	-
Total Certificates of Participation	56,454,170	44,428,461	-	(2,307,959)	42,120,502	2,280,000
Revenue Bonds:						
2011 Refunding Wastewater Revenue Bonds, Series C 1.00-5.25%, due 11/1/25	36,315,568	35,815,211	-	(2,133,436)	33,681,775	2,287,586
Add: deferred bond premium	2,839,017	2,423,673	-	(201,973)	2,221,700	-
2011 Refunding Wastewater Revenue Bonds, Series D variable rate (SIFMA rate plus 0.83%), due 11/1/14	16,251,000	18,498,000	-	(18,498,000)	-	-
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	-
Total Revenue Bonds	109,943,855	93,319,762	17,955,392	(20,833,409)	90,441,745	2,287,586
Total Environmental Utilities Enterprise Funds Debt:	\$ 166,398,025	\$ 137,748,223	\$ 17,955,392	\$ (23,141,368)	\$ 132,562,247	\$ 4,567,586

B. 2007 Water Utility Revenue Certificates of Participation

The City issued Certificates of Participation (COP) in the original principal amount of \$53,695,000 on October 16, 2007, to refund the remaining balance of 1997 Water Utility Revenue Certificates of Participation, and to finance the acquisition and the construction of certain capital improvements and additions to the City's Water Utility System. The COP's are repayable from net revenue from the Water Utility System. Principal payments are payable annually on December 1 and interest payments are due semi-annually on December 1 and June 1, through December 1, 2027.

As of June 30, 2015, the total principal and interest remaining to be paid on the bonds was \$54,793,656. As disclosed in the official statement, all net revenues of the Water Utility System are expected to provide coverage over debt service of 120% over the life of the Bonds. For fiscal year 2015 net revenues amounted to \$10,228,902 which represented coverage of 243% over the \$4,209,987 in debt service.

C. 2011 South Placer Wastewater Authority Refunding Wastewater 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% 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% and the liabilities for the 2011C and 2011D Bonds were increased \$4,819,815 and \$2,247,000, respectively.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

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

The 2011C Bonds bear interest at 1.00%-5.25% and are due semi-annually on May 1 and November 1 of each year. The Bonds are repayable solely from the Authority Revenues. Principle payments are due annually November 1 through 2025.

D. 2013 South Placer Wastewater Authority Refunding Wastewater 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%. 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%, but adjustable based on the credit rating of the Roseville Finance Authority's long-term unenhanced debt secured or evidenced by a parity obligation) plus the product of the LIBOR Index multiplied by the Applicable Factor (initially 70.5%). The interest rate of the Bonds cannot exceed 12% per year and may be converted by the Authority into a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate, subject to certain conditions defined in the Indenture. The interest rate at June 30, 2015 was 0.580%. The Bonds are subject to mandatory redemption annually beginning November 1, 2029 through 2035.

The Authority originally entered into a 19 year interest rate swap agreement for the entire amount of the 2008B Bonds, and as part of the issuance of the 2011 ABCD Bonds, the swap agreement was amended and remains in effect, but the notional amount of the swap is based on the notional amount of the 2008 B Bonds. The interest rate swap agreement remains outstanding after the refunding and issuance of the 2013 Bonds, and the notional amount of the swap continues to be based on the notional amount of the 2008B Bonds. The combination of the variable rate bonds and the floating rate swap creates a synthetic fixed-rate debt for the Authority. The synthetic fixed rate for the 2011 C, 2013 Bonds and the 2014 Bonds at June 30, 2015 was 4.13%.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. South Placer Wastewater Authority Wastewater Revenue 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. The City's share of the obligation is 61.66%, or \$17,955,392.

The 2014 Bonds were issued as SIFMA Index Bonds and the interest rate is the rate of the SIFMA index, adjusted weekly, plus a spread of .33%. The SIFMA Municipal Swap Index, represents a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there will be used in its place such index as the Trustee, following consultation with the Authority and the Calculation Agent, as applicable for the applicable Interest Rate Period, from time to time determines most closely approximates the SIFMA Index. SIFMA Index Rate is defined as the a per annum rate equal to the weighted average of the SIFMA Index in effect for each day in the Interest Period, which is the period from and including each interest payment date for such Series 2014 Bonds.

Interest on the Series 2014 Bonds is payable on the first business day of each month, commencing September 2, 2014. Principal payments are due annually beginning November 3, 2025 through 2029.

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.

As of June 30, 2015, the total principal and interest remaining to be paid on the 2011 Series C, the 2013 Bonds and the 2014 Bonds was \$112,022,794. As disclosed in the Indenture, net revenues of the respective systems of the members are expected to provide coverage over debt service of 110% over the lives of the Bonds; however, the Funding Agreement established a Rate Stabilization Account to be used for the payment of debt service on the Bonds and other costs of the Authority. As discussed in Note 16, the members' monthly contributions of regional connection fees are deposited into the Rate Stabilization Account, and the Authority pays the debt service and other costs from the Account, based on each member's proportionate share. For fiscal year 2015, \$5,705,879 in debt service was paid from the Rate Stabilization Account.

F. Interest Rate Swap Agreement

The City has a 61.66% interest in the Authority which entered into an interest swap agreement in connection with the 2008 Refunding Wastewater Revenue Bonds, Series B. The Authority amended the swap with the issuance of the 2013 Bonds, but the swap continues to be based on the notional amount of the 2008 B Bonds.

This transaction allows the City 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, 2015, 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.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Interest Rate Swap Agreement (Continued)

Related Bond Issue	Notional Amount	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 (based on notional amount of 2008 Refunding Wastewater Revenue Bonds, Series B)	\$ 48,356,855 (A)	9/17/2003, amended 4/10/2008	Morgan Stanley Capital Services, Inc.	A-	3.665%	62% of 1m LIBOR plus 26 bps	11/1/2027

(A) The Authority's swap agreement is based on the notional amount of \$78,425,000 related to the 2008B Bond. The City's share of these underlying Bonds is 61.66%, or \$48,356,855. 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 City owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City 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. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by each swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As of June 30, 2015, the fair value of the swap was not in favor of the City as follows:

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(A) The Authority's swap agreement is based on the notional amount of \$78,425,000 equivalent to the notional balance on the 2008B Bonds. The City share of these underlying Bonds was 61.66%, or \$48,356,855. Only the City's portion of the fair value of the swap agreement is shown above, since the City is only obligated for that portion of the Authority's 2011 and 2013 bonds.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Interest Rate Swap Agreement (Continued)

Credit risk. Since the fair value of the swap is negative, the City 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 City would be exposed to credit risk on the outstanding swap. The City will be exposed to interest rate risk only if a counterparty to the swap defaults or if the swap is terminated.

Basis risk. The risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swap. The swap has basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City 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 City 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 City is exposed to this basis risk.

Termination risk. The City may terminate if the other party fails to perform under the terms of the contract. The City 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 City'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 City 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 City will be re-exposed to the risks being hedged by the swap. The swap based on the 2008 Refunding Wastewater Revenue Bonds, Series B, associated with the 2011 C and D Refunding Wastewater Revenue Bonds and 2013 Refunding Wastewater Revenue Bonds, exposes the City to rollover risk because the swap terminates on November 1, 2027 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, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Interest Rate Swap Agreement (Continued)

Swap payments and associated debt. Using rates as of June 30, 2015, 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, 2015:

For the Year Ending June 30,	Variable-Rate and Fixed Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2016	\$ 2,287,586	\$ 1,909,020	\$ 1,408,721	\$ 5,605,327
2017	2,457,151	1,826,504	1,316,448	5,600,103
2018	2,635,965	1,699,176	1,220,538	5,555,679
2019	2,830,194	1,562,522	1,120,990	5,513,706
2020	3,036,755	1,415,848	1,017,970	5,470,573
2021-2025	18,793,968	1,420,011	3,406,957	23,620,936
2026-2030	23,489,377	4,216,575	545,695	28,251,647
2031-2035	26,704,946	589,945	-	27,294,891
2036	5,984,103	11,569	-	5,995,672
Totals	<u>\$ 88,220,045</u>	<u>\$ 14,651,170</u>	<u>\$ 10,037,319</u>	<u>\$ 112,908,534</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

G. Debt Service Requirements

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

For the Year Ending June 30,	Principal	Interest
2016	\$ 4,567,586	\$ 4,350,905
2017	4,852,151	4,149,325
2018	5,155,965	3,899,179
2019	5,470,194	3,640,292
2020	5,806,755	3,366,765
2021-2025	34,913,968	11,918,601
2026-2030	35,229,377	4,753,485
2031-2035	26,704,946	2,000,920
2036	5,984,103	51,933
Totals	128,685,045	<u>\$ 38,131,405</u>
Reconciliation of long-term debt		
Add deferred bond premium	<u>3,877,202</u>	
Net long-term debt	<u>\$ 132,562,247</u>	

H. Bond Issuance Costs and Original Issue Discounts and Premiums

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. Any difference between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

NOTE 6 – 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 to use.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – 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.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Hire date	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 55	52 - 67
Retirement age	2.0% - 2.7%	1.0% - 2.5%
Monthly benefits, as a % of annual salary	8.000%	6.250%
Required employee contribution rates	22.455%	22.455%
Required employer contribution rates		

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 is 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, 2015, were 8.0% for the Classic Plan Members and 6.25% for the PEPRA Plan members. The Funds’ proportionate share of the City’s contributions to the miscellaneous plan was \$3,657,536 for the year ended June 30, 2015.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – PENSION PLAN (CONTINUED)

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

As of June 30, 2015, the Funds reported a combined net pension liability of \$38,280,956 for its proportionate share of the City’s miscellaneous plan’s net pension liability.

The net pension liability of the Plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Funds’ proportion of the City’s miscellaneous pension plan’s net pension liability was based on the Funds’ fiscal year 2015 contributions to the City’s miscellaneous pension 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 as of June 30, 2013 and 2014 was 23.04% for both years.

For the year ended June 30, 2015, the Funds recognized pension expense of \$3,380,674. At June 30, 2015, the Funds reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions paid by the Funds subsequent to measurement date	\$ 3,657,536	\$ -
Net differences between projected and actual earnings on pension plan investments	-	(5,405,690)
Total	<u>\$ 3,657,536</u>	<u>\$ (5,405,690)</u>

The amount of \$3,657,536 reported in the Environmental Utilities Enterprise Funds as deferred outflows of resources related to pensions, resulting from the Funds’ contributions to the City’s plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (1,351,423)
2017	(1,351,422)
2018	(1,351,423)
2019	(1,351,422)
Total	<u>\$ (5,405,690)</u>

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – PENSION PLAN (CONTINUED)

Actuarial Assumptions – The Funds’ proportion of the City’s total pension liabilities in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS membership data

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 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.

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, 2015**

NOTE 7 – 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
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 7.50 %. 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 district’s 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 Environmental Utilities Enterprise 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:

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 54,565,174
Current Discount Rate	7.50%
Net Pension Liability	\$ 38,280,956
1% Increase	8.50%
Net Pension Liability	\$ 24,765,402

Pension Plan Fiduciary Net Position – Detailed information 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 be obtained on the internet at www.roseville.ca.us.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan, a sole employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the Plan. The Plan does not issue separate financial statements. As of June 30, 2015, there were 525 City participants in total receiving these health care benefits.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees under third-party insurance plans. A summary of eligibility and benefits offered are shown below:

Eligibility	Retire directly from the City under CalPERS (age 50 and 5 years of CalPERS service or disability retirement)			
	Tier 1 Hired prior to January 1, 2004 (a)		Tier 2 Hired on or after January 1, 2004 (a)	
Benefit	City paid premium, subject to the following caps:		City paid premium, subject to the following caps:	
	<u>Group</u>	<u>2015</u>		<u>2015</u>
	Management/Confidential	\$ 1,248	Single	\$ 642
	Stationary Engineers Local 39	1,284	Two Party	1,218
	Roseville Police Association	1,248	Family	1,559
	Roseville Police Officers Association	1,248		
	Roseville Firefighters Association	1,248		
	International Brotherhood of Electrical Workers	1,248		
			Subject to vesting schedule	
			CalPERS service	<u>Percent of Cap</u>
			Less than 10 years	0%
			10 - 20 years	50%
			20 years or more	100%
			Five years City service required	
			100% vested if disabled	
			If 20 years with the City, do not need to retire directly from the City.	
	Tier 3 RFF (c) Hired on or after January 1, 2012		Tier 3 Non-RFF (c) Hired on or after January 1, 2014 (d)	
Benefit (continued)	\$720/month - subject to Tier 2 vesting schedule based on City Service		PEMHCA minimum	
	Employees contribute percent of payroll to PFM trust starting 2012:		Roseville Health Savings Account:	
	<u>Years of City Service</u>	<u>Payroll %</u>	Employees contribute percent of payroll to health savings account	
	1	1%	<u>Years of City Service</u>	<u>Payroll %</u>
	2	2%	1	1%
	3	3%	2	2%
	4	4%	3	3%
	5+	5%	4	4%
			5+	5%
			City contribution of \$100/month after 5 years City service	
			Must retire from City to receive City health savings account contributions	
Non-Represented	Eligible for PEMHCA minimum only			
Dental, Vision and Life	None			
Surviving Spouse Continuation	Retiree medical benefit continues to surviving spouse if retire elects CalPERS survivor annuity.			
	(a) January 1, 2005 for Police Officers Association (sworn) and Local 39 (b) City must pay at least the PEMHCA minimum (c) RFF is the Roseville Firefighters Association (d) October 1, 2013 for Police Association (non-sworn), March 1, 2014 for Police Officers Association (sworn)			

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.50% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3.00% of general inflation increase, and (d) a healthcare trend of declining annual increases ranging from 8.50% to 8.90% in 2014 to 5.00% for years starting 2021. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll, on a closed basis, using a 28 year amortization period with 28 years remaining.

Annual OPEB Cost

The Funds contributed \$1,091,797, \$1,027,446 and \$994,338 toward the City's annual OPEB cost for the years ended June 30, 2015, 2014 and 2013 respectively, which represented 36.48%, 35.61% and 30.57% of the annual required contribution, respectively.

Disclosures related to the City's postemployment health care benefit plan can be found in the City's Comprehensive Annual Financial Report (CAFR) available on the City's website at www.roseville.ca.us.

NOTE 9 – RISK MANAGEMENT

The Funds are included in the City's risk management program. The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member agencies. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

The contributions made to the risk pools below equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

A. Risk Coverage

General Liability, Property, and Boiler and Machinery

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims, property, and boiler and machinery losses. Once the City's SIR is met, CJPRMA becomes responsible for payment of all claims up to the limit. Financial statements for the risk pool and more information may be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, California 94551.

General Liability Coverage

The City has a self-insured retention (SIR) of \$500,000 per claim up to a \$40,000,000 limit. The City's premium was \$486,414.

Property Coverage

CJPRMA has purchased commercial insurance against property damage. The City has a self-insured retention (SIR) of \$25,000 per claim up to a \$300,000,000 limit. The City's premium for coverage is \$250,428.

Boiler and Machinery Coverage

CJPRMA has purchased commercial insurance against boiler and machinery claims. The City has a self-insured retention (SIR) of \$5,000 per claim up to a \$21,250,000 limit. The annual premium paid was \$31,525.

Fiduciary Coverage

The City purchased fiduciary insurance specifically to cover the OPEB Trust. The self-insured retention is \$15,000 per claim up to a \$3,000,000 limit. The City's premium for coverage is \$33,024.

Workers' Compensation

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to \$5,000,000 and has excess coverage through CSAC-EIA up to the statutory limit. The City has a self-insured retention (SIR) of \$350,000 per claim. The City's premium of \$555,181 was for current year coverage plus \$3,874 towards a 97/98 assessment and \$26,837 towards a 98/99 assessment. The total premium charged to the City was \$692,433.

Financial statements for the risk pool and more information may be obtained from LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 10 – SOUTH PLACER WASTERWATER 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, ownership, construction and operation of the Regional Wastewater Facilities.

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement 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. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of \$109,775,000 and \$70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. On September 2003, the SPWA issued Refunding Revenue Bonds in the original principal amounts of \$97,000,000. The purpose of the 2003 bonds is to advance refund the 2000 Revenue Bonds Series A. On April 3, 2008, the SPWA issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2008A and 2008B in the original principal amounts of \$72,504,000 and \$92,850,000 respectively. The purpose of the 2008A bonds is to refund the remaining outstanding balance of the 2000 Revenue Bonds Series B. The 2008B bonds were issued to refund the remaining outstanding balance of the 2003 Refunding Revenue Bonds and to advance refund the remaining outstanding balance of the 2000 Revenue Bonds Series A. On April 7, 2011 the SPWA issued Refunding Wastewater Revenue Bonds Series A, B, C and D in the original principal amounts of \$30,165,000, \$30,160,000, \$67,040,000 and \$30,000,000, respectively. The purpose of the 2011 Bonds was to refund the remaining outstanding balance of the 2008A and 2008B Bonds. On April 1, 2013, the SPWA issued Refunding Wastewater Bonds, Series 2013, in the original principal amount of \$59,330,000 to refund the outstanding balance of the 2011 Series A and B Bonds. The three agencies are responsible for the repayment of all of these Revenue Bonds. The City's share of this obligation was originally 54.17%, but with the amendment to the funding agreement discussed below, the City's obligation is now 61.66%. As a result, this portion of the debt was recorded on the City's financial statements, as discussed in Note 5.

During the year ended June 30, 2015, the City paid \$6,979,521 to SPWA based on connection fees collected during the fiscal year.

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 members of the SPWA entered into an Amended and Restated Funding Agreement and a Reallocation and Repayment Agreement effective October 1, 2012. The Amended and Restated Funding Agreement changed the proportionate shares of each member for the cost allocations and the City's share was increased to 61.66%. The City's investment in SPWA Reserves at June 30, 2015, was \$71,340,564.

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

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11 – 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 2015, the changes of landfill closure liabilities were as follows:

Beginning Balance	\$ 2,361,710
Deductions	<u>(152,955)</u>
Ending Balance	<u>\$ 2,208,755</u>

NOTE 12 – RESTATEMENT OF NET POSITION

The City adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. Additionally the City completed a detailed review of capital assets in the Water and Wastewater Funds. As a result, balances previously reported have been restated. The effects of the implementation of GASB Nos. 68 and 71, and capital assets review are as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>
Net Position - Beginning of Year, as previously reported	\$ 459,692,745	\$ 572,648,369	\$ 23,601,613
Net Pension Liability	(16,668,512)	(17,597,701)	(9,424,631)
Deferred Outflows of Resources	1,291,364	1,363,351	730,157
Adjustment to Capital Assets	19,414,382	1,964,922	-
Net Position - Beginning of Year, as restated	<u>\$ 463,729,979</u>	<u>\$ 558,378,941</u>	<u>\$ 14,907,139</u>

NOTE 13 – SUBSEQUENT EVENTS

South Placer Wastewater Authority Wastewater Revenue Refunding Bonds, Series 2015

On September 3, 2015, the City of Roseville issued the Water Utility Revenue Certificates of Participation, Series 2015, in the amount of \$42,565,000 to refund the 2007 Water Utility Revenue Certificates of Participation (COPs). The COPs bear interest at a rate ranging from 2% to 5%. Interest payments will be due on February 1 and August 1 of each year, beginning February 2016. Principal payments are due annually on August 1. The Bonds mature on August 1, 2032.

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>
Proportion of the City's miscellaneous plan net pension liability	23.04%
Proportionate share of the City's miscellaneous plan net pension liability	\$ 38,280,956
Covered employee payroll	\$ 15,406,020
Proportionate share of net pension liability as a percentage of employee payroll	248.48%
Miscellaneous plan fiduciary net position as a percentage of the total pension liability	67.62%
Measurement date	6/30/2014

*- Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

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

	<u>2015</u>
Actuarially determined contributions	\$ 3,657,536
Contributions in relation to the actuarially determined contribution	<u>3,657,536</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered-employee payroll	 \$ 16,534,973
 Contributions as a percentage of covered-employee payroll	 22.12%

*- Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

SUPPLEMENTARY INFORMATION

FUND DESCRIPTIONS

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 throughout the Roseville.

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 Engineering 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.

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.

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 STATEMENTS OF NET POSITION
JUNE 30, 2015**

	Water							Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Engineering	Interfund Eliminations	
ASSETS								
Current Assets:								
Cash and investments	\$ 14,849,070	\$ 32,547,629	\$ 6,108,297	\$ 709,157	\$ 2,929,027	\$ 257,665	\$ -	\$ 57,400,845
Restricted cash and investments with fiscal agents	-	4,527,111	-	-	-	-	-	4,527,111
Receivables:								
Accounts, net of allowance for doubtful accounts	2,678,495	1,692,229	-	28,994	-	21,017	-	4,420,735
Accrued interest	26,493	109,485	17,118	1,453	6,219	612	-	161,380
Due from other government agencies	16,884	-	-	-	-	-	-	16,884
Prepays	72,057	-	-	-	-	-	-	72,057
Due from other funds	-	237,340	-	-	-	-	(237,340)	-
Inventories	449,790	-	-	-	-	-	-	449,790
Total Current Assets	18,092,789	39,113,794	6,125,415	739,604	2,935,246	279,294	(237,340)	67,048,802
Noncurrent Assets:								
Developer permit fees receivable	-	-	-	-	-	-	-	-
Investments in SPWA reserves	-	-	-	-	-	-	-	-
Advances to other funds	-	2,503,124	671,134	-	-	-	(1,831,990)	1,342,268
Capital assets:								
Land and construction in progress	532,036	7,674,992	2,564,487	-	-	-	-	10,771,515
Capital assets being depreciated, net	340,818,770	98,564,555	14,015,238	6,058,925	-	6,219	-	459,463,707
Total Noncurrent Assets	341,350,806	108,742,671	17,250,859	6,058,925	-	6,219	(1,831,990)	471,577,490
Total Assets	359,443,595	147,856,465	23,376,274	6,798,529	2,935,246	285,513	(2,069,330)	538,626,292
DEFERRED OUTFLOWS OF RESOURCES								
Deferred charge on refunding	-	444,916	-	-	-	-	-	444,916
Accumulated decrease in fair value of hedging derivative	-	-	-	-	-	-	-	-
Deferred outflows related to pensions	1,020,575	-	-	-	-	375,009	-	1,395,584
Total Deferred Outflows of Resources	1,020,575	444,916	-	-	-	375,009	-	1,840,500
LIABILITIES								
Current Liabilities:								
Accounts payable	580,064	649,558	4,686	-	-	3,674	-	1,237,982
Accrued liabilities	449,789	315,615	-	8	-	99,426	-	864,838
Due to other government agencies	-	-	-	-	-	-	-	-
Due to other funds	-	-	237,340	-	-	-	(237,340)	-
Current portion of compensated absences	368,671	-	-	-	-	163,794	-	532,465
Current portion of long-term debt	-	2,280,000	-	-	-	-	-	2,280,000
Deposits	31,000	-	-	-	-	-	-	31,000
Unearned revenue	-	-	-	-	-	-	-	-
Total Current Liabilities	1,429,524	3,245,173	242,026	8	-	266,894	(237,340)	4,946,285
Long-Term Liabilities:								
Advances from other funds	-	-	1,831,990	-	-	-	(1,831,990)	-
Long-term debt, non-current portion	-	39,840,502	-	-	-	-	-	39,840,502
Landfill closure and post closure liability	-	-	-	-	-	-	-	-
Compensated absences	654,026	-	-	-	-	352,376	-	1,006,402
Derivative at fair value-liability	-	-	-	-	-	-	-	-
Net pension liability	10,683,445	-	-	-	-	3,921,139	-	14,604,584
Total Long-Term Liabilities	11,337,471	39,840,502	1,831,990	-	-	4,273,515	(1,831,990)	55,451,488
Total Liabilities	12,766,995	43,085,675	2,074,016	8	-	4,540,409	(2,069,330)	60,397,773
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pensions	1,508,619	-	-	-	-	553,708	-	2,062,327
Total Deferred Outflows of Resources	1,508,619	-	-	-	-	553,708	-	2,062,327
NET POSITION								
Net investment in capital assets	341,350,806	64,119,045	16,579,725	6,058,925	-	6,219	-	428,114,720
Restricted for debt services	-	4,315,500	-	-	-	-	-	4,315,500
Unrestricted	4,837,750	36,781,161	4,722,533	739,596	2,935,246	(4,439,814)	-	45,576,472
Total Net Position	\$ 346,188,556	\$ 105,215,706	\$ 21,302,258	\$ 6,798,521	\$ 2,935,246	\$ (4,433,595)	\$ -	\$ 478,006,692

Wastewater						Solid Waste					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$ 16,083,071	\$ 1,082,095	\$ 22,825,467	\$ 2,543,633	\$ -	\$ 42,534,266	\$ 16,739,954	\$ 2,049,106	\$ 2,464,423	\$ 1,010,349	\$ -	\$ 22,263,832
-	-	-	-	-	-	-	-	-	-	-	-
3,029,006	1,608,964	74,615	-	-	4,712,585	2,627,853	92,250	-	-	-	2,720,103
31,026	1,451	43,404	5,167	-	81,048	31,118	4,066	5,352	2,010	-	42,546
2,624,503	-	-	-	-	2,624,503	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	114,512	-	-	114,512	-	-	-	-	-	-
4,695	-	-	-	-	4,695	123,786	-	-	-	-	123,786
21,772,301	2,692,510	23,057,998	2,548,800	-	50,071,609	19,522,711	2,145,422	2,469,775	1,012,359	-	25,150,267
-	-	-	-	-	-	-	-	-	-	-	-
-	71,340,564	-	-	-	71,340,564	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
3,127,989	4,147,121	5,549,608	-	-	12,824,718	502,861	-	-	-	-	502,861
272,290,664	241,016,785	36,900,067	-	-	550,207,516	3,133,747	571,812	324,924	-	-	4,030,483
275,418,653	316,504,470	42,449,675	-	-	634,372,798	3,636,608	571,812	324,924	-	-	4,533,344
297,190,954	319,196,980	65,507,673	2,548,800	-	684,444,407	23,159,319	2,717,234	2,794,699	1,012,359	-	29,683,611
-	-	-	-	-	-	-	-	-	-	-	-
-	6,197,143	-	-	-	6,197,143	-	-	-	-	-	-
1,473,359	-	-	-	-	1,473,359	788,593	-	-	-	-	788,593
1,473,359	6,197,143	-	-	-	7,670,502	788,593	-	-	-	-	788,593
2,395,951	-	471,927	-	-	2,867,878	652,457	-	10,320	-	-	662,777
446,973	1,619,095	187,125	-	-	2,253,193	309,200	-	-	-	-	309,200
-	944,052	-	-	-	944,052	-	-	-	-	-	-
-	-	-	-	-	-	114,512	-	-	-	-	114,512
510,737	-	-	-	-	510,737	252,599	-	-	-	-	252,599
-	2,287,586	-	-	-	2,287,586	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	35,221	-	-	-	-	35,221
3,353,661	4,850,733	659,052	-	-	8,863,446	1,363,989	-	10,320	-	-	1,374,309
-	-	-	-	-	-	-	-	-	-	-	-
-	88,154,159	-	-	-	88,154,159	-	-	-	-	-	-
-	-	-	-	-	-	2,208,755	-	-	-	-	2,208,755
1,107,326	-	-	-	-	1,107,326	440,370	-	-	-	-	440,370
-	6,197,143	-	-	-	6,197,143	-	-	-	-	-	-
15,418,718	-	-	-	-	15,418,718	8,257,654	-	-	-	-	8,257,654
16,526,044	94,351,302	-	-	-	110,877,346	10,906,779	-	-	-	-	10,906,779
19,879,705	99,202,035	659,052	-	-	119,740,792	12,270,768	-	10,320	-	-	12,281,088
2,177,292	-	-	-	-	2,177,292	1,166,071	-	-	-	-	1,166,071
2,177,292	-	-	-	-	2,177,292	1,166,071	-	-	-	-	1,166,071
275,418,653	154,722,161	42,449,675	-	-	472,590,489	3,636,608	571,812	324,924	-	-	4,533,344
-	4,829,982	-	-	-	4,829,982	-	-	-	-	-	-
1,188,663	66,639,945	22,398,946	2,548,800	-	92,776,354	6,874,465	2,145,422	2,459,455	1,012,359	-	12,491,701
\$ 276,607,316	\$ 226,192,088	\$ 64,848,621	\$ 2,548,800	\$ -	\$ 570,196,825	\$ 10,511,073	\$ 2,717,234	\$ 2,784,379	\$ 1,012,359	\$ -	\$ 17,025,045

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Water							Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Engineering	Interfund Eliminations	
OPERATING REVENUES								
Charges for services	\$ 21,984,068	\$ 760,270	\$ -	\$ 16,957	\$ -	\$ 349,264	\$ -	\$ 23,110,559
Other	282,067	-	65	20,297	-	98,511	-	400,940
Total Operating Revenues	22,266,135	760,270	65	37,254	-	447,775	-	23,511,499
OPERATING EXPENSES								
Operations	9,825,558	342,622	146,545	-	-	2,104,141	-	12,418,866
Administration	2,609,613	-	-	-	-	12,143	-	2,621,756
Depreciation and amortization	6,474,930	1,468,476	199,273	474,961	-	3,255	-	8,620,895
Total Operating Expenses	18,910,101	1,811,098	345,818	474,961	-	2,119,539	-	23,661,517
Operating Income (Loss)	3,356,034	(1,050,828)	(345,753)	(437,707)	-	(1,671,764)	-	(150,018)
NONOPERATING REVENUES (EXPENSES)								
Interest and rents revenue	88,655	543,203	65,224	4,819	20,594	1,791	-	724,286
Interest and fiscal charges (expense)	-	(1,471,029)	(53,580)	-	-	-	-	(1,524,609)
Cost of issuance	-	-	-	-	-	-	-	-
Gain (loss) from sale of property	(30,439)	(7,581)	(6,852)	-	-	-	-	(44,872)
Subventions and grants	11,905	1,026,443	-	-	-	-	-	1,038,348
Increase (decrease) in SPWA reserves	-	-	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	70,121	91,036	4,792	4,819	20,594	1,791	-	193,153
Income (Loss) Before Contributions and Transfers	3,426,155	(959,792)	(340,961)	(432,888)	20,594	(1,669,973)	-	43,135
Capital contributions - connection/impact fees	-	6,161,270	-	80,117	-	-	-	6,241,387
Capital contributions from developers	10,850,570	-	-	-	-	-	-	10,850,570
Transfers in	1,361,041	229,114	3,779,053	-	250,000	2,119,165	(3,060,267)	4,678,106
Transfers (out)	(7,477,505)	(147,040)	(2,549,028)	(15,758)	(548)	(406,873)	3,060,267	(7,536,485)
Change in Net Position	8,160,261	5,283,552	889,064	(368,529)	270,046	42,319	-	14,276,713
Total net position-beginning	359,765,261	69,828,837	20,613,748	7,167,050	2,665,200	(347,351)	-	459,692,745
Restatement	(21,736,966)	30,103,317	(200,554)	-	-	(4,128,563)	-	4,037,234
Total net position-beginning, as restated	338,028,295	99,932,154	20,413,194	7,167,050	2,665,200	(4,475,914)	-	463,729,979
Total net position-ending	\$ 346,188,556	\$ 105,215,706	\$ 21,302,258	\$ 6,798,521	\$ 2,935,246	\$ (4,433,595)	\$ -	\$ 478,006,692

Wastewater						Solid Waste					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Totals
\$ 30,068,166	\$ -	\$ 1,520,097	\$ -	\$ -	\$ 31,588,263	\$ 21,393,859	\$ -	\$ -	\$ -	\$ -	\$ 21,393,859
198,056	-	-	-	-	198,056	609,010	-	-	-	-	609,010
30,266,222	-	1,520,097	-	-	31,786,319	22,002,869	-	-	-	-	22,002,869
17,583,072	-	473,307	-	-	18,056,379	15,934,119	(1,314)	129,898	-	-	16,062,703
793,263	-	-	-	-	793,263	677,083	-	-	-	-	677,083
4,965,315	6,354,825	476,785	-	-	11,796,925	242,800	41,615	45,817	-	-	330,232
23,341,650	6,354,825	950,092	-	-	30,646,567	16,854,002	40,301	175,715	-	-	17,070,018
6,924,572	(6,354,825)	570,005	-	-	1,139,752	5,148,867	(40,301)	(175,715)	-	-	4,932,851
108,528	4,258	146,432	16,783	-	276,001	102,213	13,122	17,518	6,473	-	139,326
-	(3,580,611)	-	-	-	(3,580,611)	(7,234)	-	-	-	-	(7,234)
-	(222,981)	-	-	-	(222,981)	-	-	-	-	-	-
(1,366,329)	(260,781)	-	-	-	(1,627,110)	-	-	-	-	-	-
-	-	-	-	-	-	121,674	-	-	-	-	121,674
-	(192,634)	-	-	-	(192,634)	-	-	-	-	-	-
(1,257,801)	(4,252,749)	146,432	16,783	-	(5,347,335)	216,653	13,122	17,518	6,473	-	253,766
5,666,771	(10,607,574)	716,437	16,783	-	(4,207,583)	5,365,520	(27,179)	(158,197)	6,473	-	5,186,617
-	6,989,651	309,989	-	-	7,299,640	-	404,797	-	-	-	404,797
7,732,052	599,969	4,125,281	-	-	12,457,302	-	-	-	-	-	-
2,128,725	-	8,747,125	500,000	(7,677,023)	3,698,827	101,433	-	474,647	250,000	(731,544)	94,536
(11,567,389)	(514)	(3,538,600)	(822)	7,677,023	(7,430,302)	(4,261,696)	(2,884)	(35,008)	-	731,544	(3,568,044)
3,960,159	(3,018,468)	10,360,232	515,961	-	11,817,884	1,205,257	374,734	281,442	256,473	-	2,117,906
286,916,585	229,210,556	54,488,389	2,032,839	-	572,648,369	18,000,290	2,342,500	2,502,937	755,886	-	23,601,613
(14,269,428)	-	-	-	-	(14,269,428)	(8,694,474)	-	-	-	-	(8,694,474)
272,647,157	229,210,556	54,488,389	2,032,839	-	558,378,941	9,305,816	2,342,500	2,502,937	755,886	-	14,907,139
\$ 276,607,316	\$ 226,192,088	\$ 64,848,621	\$ 2,548,800	\$ -	\$ 570,196,825	\$ 10,511,073	\$ 2,717,234	\$ 2,784,379	\$ 1,012,359	\$ -	\$ 17,025,045

**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	Water						Interfund Eliminations	Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Engineering		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	\$ 22,372,011	\$ 362,882	\$ -	\$ 9,298	\$ -	\$ 354,128	\$ -	\$ 23,098,319
Payments to suppliers	(5,074,905)	332,822	(169,384)	-	-	(2,084,784)	-	(6,996,251)
Payments to employees	(7,761,549)	-	-	(21)	-	-	-	(7,761,570)
Other receipts	389,346	-	65	20,297	-	98,511	-	508,219
Net Cash provided (used) by Operating Activities	9,924,903	695,704	(169,319)	29,574	-	(1,632,145)	-	8,848,717
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Subventions and grants	23,909	1,871,937	5,640	-	-	-	-	1,901,486
(Increase) decrease in due from other funds	-	-	-	-	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	-	-	-	-	-
(Increase) decrease in advances to other funds	-	396,797	(77,883)	-	-	-	-	318,914
Increase (decrease) in advances from other funds	-	-	-	-	-	-	-	-
Transfers in	1,361,041	229,114	3,779,053	-	250,000	2,119,165	(3,060,267)	4,678,106
Transfers (out)	(7,477,505)	(147,040)	(2,549,028)	(15,758)	(548)	(406,873)	3,060,267	(7,536,485)
Cash Flows from (used for) Noncapital Financing Activities	(6,092,555)	2,350,808	1,157,782	(15,758)	249,452	1,712,292	-	(637,979)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(282,200)	(7,266,318)	(3,709,251)	-	-	-	-	(11,257,769)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Issuance of costs	-	-	-	-	-	-	-	-
Principal payments on capital debt	-	(2,170,000)	-	-	-	-	-	(2,170,000)
Interest paid on capital debt	-	(1,471,029)	(53,580)	-	-	-	-	(1,524,609)
Connection fees	-	6,161,270	-	80,117	-	-	-	6,241,387
Cash Flows from (used for) Capital and Related Financing Activities	(282,200)	(4,746,077)	(3,762,831)	80,117	-	-	-	(8,710,991)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and rents received	84,058	571,712	65,870	4,532	16,672	1,545	-	744,389
Receipts from sale of (payment to acquire) investments, net	-	556,271	-	-	-	-	-	556,271
Cash Flows from Investing Activities	84,058	1,127,983	65,870	4,532	16,672	1,545	-	1,300,660
Net increase (decrease) in cash and cash equivalents	3,634,206	(571,582)	(2,708,498)	98,465	266,124	81,692	-	800,407
Cash and investments at beginning of period, as restated	11,214,864	33,119,211	8,816,795	610,692	2,662,903	175,973	-	56,600,438
Cash and investments at end of period	\$ 14,849,070	\$ 32,547,629	\$ 6,108,297	\$ 709,157	\$ 2,929,027	\$ 257,665	\$ -	\$ 57,400,845
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
Operating income (loss)	3,356,034	(1,050,828)	(345,753)	(437,707)	-	(1,671,764)	-	(150,018)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation and amortization	6,474,930	1,468,476	199,273	474,961	-	3,255	-	8,620,895
Inventories	(120,897)	-	-	-	-	-	-	(120,897)
Change in assets and liabilities:								
Receivables, net	508,722	(397,388)	-	(7,659)	-	4,864	-	108,539
Accounts and other payables	(216,790)	675,444	(22,839)	(21)	-	60,225	-	496,019
Net pension liability and related amounts	(77,096)	-	-	-	-	(28,725)	-	(105,821)
Unearned revenue	-	-	-	-	-	-	-	-
Net Cash provided (used) by Operating Activities	\$ 9,924,903	\$ 695,704	\$ (169,319)	\$ 29,574	\$ -	\$ (1,632,145)	\$ -	\$ 8,848,717
NONCASH TRANSACTIONS								
Capital assets transferred from the City	\$ 28,626	\$ 115,763						\$ 144,389
Retirement of capital assets								
Transfer of capital assets to other funds	\$ 84,537		\$ 2,504,638				\$ (2,589,175)	
Transfer of capital assets from other funds		\$ (57,042)	\$ (13,180)				\$ 70,222	
Amortization of bond premium		\$ 137,959						\$ 137,959
Amortization of deferred amount on refunding		\$ (37,076)						\$ (37,076)

Wastewater						Solid Waste					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$ 28,172,366	\$ -	\$ 1,502,850	\$ -	\$ -	\$ 29,675,216	\$ 21,408,323	\$ (20,500)	\$ -	\$ -	\$ -	\$ 21,387,823
(10,388,015)	-	(229,101)	-	-	(10,617,116)	(10,973,541)	1,314	(123,666)	-	-	(11,095,893)
(6,172,806)	-	-	-	-	(6,172,806)	(5,612,068)	-	-	-	-	(5,612,068)
198,057	-	-	-	-	198,057	609,010	-	-	-	-	609,010
<u>11,809,602</u>	<u>-</u>	<u>1,273,749</u>	<u>-</u>	<u>-</u>	<u>13,083,351</u>	<u>5,431,724</u>	<u>(19,186)</u>	<u>(123,666)</u>	<u>-</u>	<u>-</u>	<u>5,288,872</u>
-	-	-	-	-	-	121,674	-	-	-	-	121,674
-	-	-	-	-	-	-	-	-	-	-	-
-	-	(4,405)	-	-	(4,405)	4,405	-	-	-	-	4,405
-	-	-	-	-	-	-	-	-	-	-	-
-	-	114,512	-	-	114,512	(114,512)	-	-	-	-	(114,512)
2,128,725	-	8,747,125	500,000	(7,677,023)	3,698,827	101,433	-	474,647	250,000	(731,544)	94,536
<u>(11,567,389)</u>	<u>(514)</u>	<u>(3,538,600)</u>	<u>(822)</u>	<u>7,677,023</u>	<u>(7,430,302)</u>	<u>(4,261,696)</u>	<u>(2,884)</u>	<u>(35,008)</u>	<u>-</u>	<u>731,544</u>	<u>(3,568,044)</u>
<u>(9,438,664)</u>	<u>(514)</u>	<u>5,318,632</u>	<u>499,178</u>	<u>-</u>	<u>(3,621,368)</u>	<u>(4,148,696)</u>	<u>(2,884)</u>	<u>439,639</u>	<u>250,000</u>	<u>-</u>	<u>(3,461,941)</u>
(1,693,740)	(72,126)	(1,869,518)	-	-	(3,635,384)	(116,184)	(65,721)	(32,057)	-	-	(213,962)
-	-	-	-	-	-	-	-	-	-	-	-
-	17,955,392	-	-	-	17,955,392	-	-	-	-	-	-
-	(222,981)	-	-	-	(222,981)	-	-	-	-	-	-
-	(20,631,436)	-	-	-	(20,631,436)	-	-	-	-	-	-
-	(3,580,611)	-	-	-	(3,580,611)	(7,234)	-	-	-	-	(7,234)
-	6,989,651	309,989	-	-	7,299,640	-	404,797	-	-	-	404,797
<u>(1,693,740)</u>	<u>437,889</u>	<u>(1,559,529)</u>	<u>-</u>	<u>-</u>	<u>(2,815,380)</u>	<u>(123,418)</u>	<u>339,076</u>	<u>(32,057)</u>	<u>-</u>	<u>-</u>	<u>183,601</u>
108,032	4,082	138,839	15,446	-	266,399	98,826	12,915	16,555	5,837	-	134,133
-	-	-	-	-	-	-	-	-	-	-	-
<u>108,032</u>	<u>4,082</u>	<u>138,839</u>	<u>15,446</u>	<u>-</u>	<u>266,399</u>	<u>98,826</u>	<u>12,915</u>	<u>16,555</u>	<u>5,837</u>	<u>-</u>	<u>134,133</u>
785,230	441,457	5,171,691	514,624	-	6,913,002	1,258,436	329,921	300,471	255,837	-	2,144,665
15,297,841	640,638	17,653,776	2,029,009	-	35,621,264	15,481,518	1,719,185	2,163,952	754,512	-	20,119,167
<u>\$ 16,083,071</u>	<u>\$ 1,082,095</u>	<u>\$ 22,825,467</u>	<u>\$ 2,543,633</u>	<u>\$ -</u>	<u>\$ 42,534,266</u>	<u>\$ 16,739,954</u>	<u>\$ 2,049,106</u>	<u>\$ 2,464,423</u>	<u>\$ 1,010,349</u>	<u>\$ -</u>	<u>\$ 22,263,832</u>
6,924,572	(6,354,825)	570,005	-	-	1,139,752	5,148,867	(40,301)	(175,715)	-	-	4,932,851
4,965,315	6,354,825	476,785	-	-	11,796,925	242,800	41,615	45,817	-	-	330,232
51,005	-	-	-	-	51,005	58,201	-	-	-	-	58,201
(1,523,842)	(371,957)	(17,247)	-	-	(1,913,046)	14,132	(20,500)	-	-	-	(6,368)
1,504,251	371,957	244,206	-	-	2,120,414	26,734	-	6,232	-	-	32,966
(111,699)	-	-	-	-	(111,699)	(59,342)	-	-	-	-	(59,342)
-	-	-	-	-	-	332	-	-	-	-	332
<u>\$ 11,809,602</u>	<u>\$ -</u>	<u>\$ 1,273,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,083,351</u>	<u>\$ 5,431,724</u>	<u>\$ (19,186)</u>	<u>\$ (123,666)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,288,872</u>
<u>\$ 67,716</u>		<u>\$ 88,050</u>			<u>\$ 155,766</u>	<u>\$ 16,896</u>					<u>\$ 16,896</u>
<u>\$ 70,222</u>		<u>\$ 4,022</u>		<u>\$ (74,244)</u>		<u>\$ 84,537</u>				<u>\$ (84,537)</u>	
<u>\$ (173,096)</u>		<u>\$ (2,504,638)</u>		<u>\$ 2,677,734</u>							
	<u>\$ 201,973</u>				<u>\$ 201,973</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 of the City of Roseville, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Environmental Utilities Enterprise Funds' basic financial statements, and have issued our report thereon dated May 6, 2016. Our report includes an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions – an Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 78*, effective July 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Environmental Utilities Enterprise 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 Environmental Utilities Enterprise Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Environmental Utilities Enterprise 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 Environmental Utilities Enterprise Funds' 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 Environmental Utilities Enterprise 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
May 6, 2016



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