



CITY OF ROSEVILLE | ENVIRONMENTAL UTILITIES

CONNECTIONS

2017

ANNUAL REPORT



Message

from the director

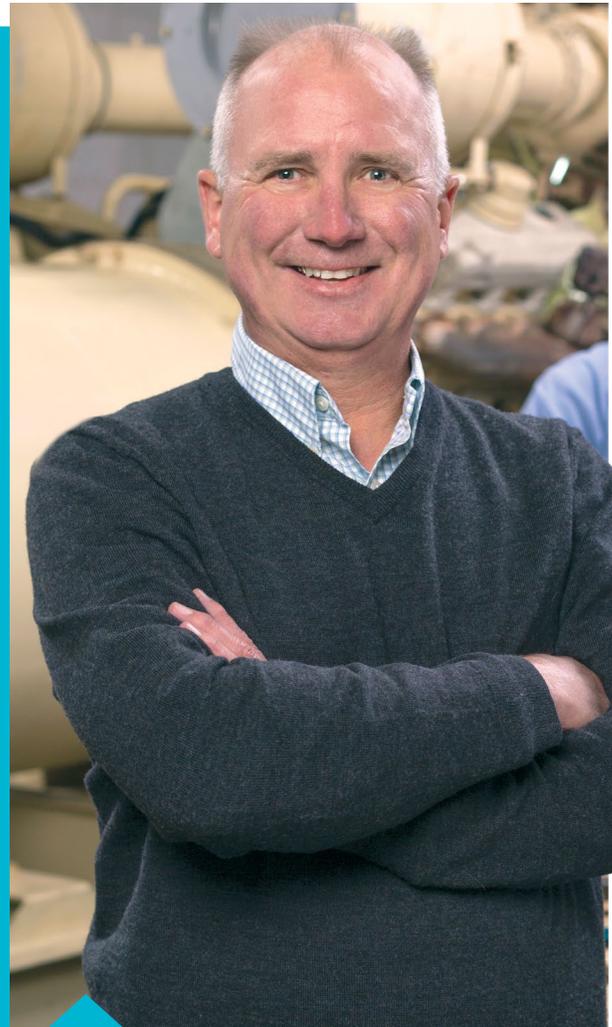
Looking back on fiscal year 2017 and thinking about the future, I ran across a quote that really hit the nail on the head: “Nothing is as uncommon as common sense.”

That resonates with me because at Environmental Utilities (EU), we take a common-sense approach to our work. Common sense has been described as “the knack for seeing things as they are, and doing things as they ought to be done.” The work we do to provide water, wastewater and solid waste services to Roseville residences, businesses and people who come to visit can be described simply, but they’re not easy tasks.

Along with providing affordable and quality utility services, we’re at the forefront of the changing regulatory climate, technological advances, long-term planning and customer interests. To do that successfully requires maintaining a clear vision and a commitment to our customers to operate in a way they can be proud of.

We see our work as part of a broader set of activities, connected to similar city departments like Roseville Electric Utility and also deeply linked to our customers, which helps all of us fulfill Roseville’s promise. Getting there requires seeking common ground, staying inquisitive and pursuing practical, common-sense solutions.

EU employees think holistically and act strategically. We consider the root cause of the challenges we face, not just today’s symptoms. And we aim for long-



We act with strategic intent and collaborate with customers and stakeholders who share our views about the importance of treating Roseville with the respect it deserves.

range solutions, not temporary band aids. The triumph of common sense is shown in our activities around water. We have long felt that a combination of surface water, groundwater, recycled water and wise water use offers the best multi-faceted defense against drought — a perennial threat in California. Our approach was validated

during the historic drought that gripped the state for the last four years. Organizations that were not so proactive struggled during the four-year drought. The drought is over, but we are working with customers to sustain the gains they made in water efficiency in recent years.

EU's continued success depends on fashioning local solutions to local issues. Whether it's our very successful Mulch Mayhem event, held in May 2017, or efforts to engage and inform customers about the harmful consequences of disposing of medications, fats, oil, grease and flushable wipes down the toilet, we are successful to the degree that we can create solutions in Roseville for the specific challenges facing our customers.

The Utility Exploration Center (UEC) is an invaluable partner fulfilling an important mission of being the utilities' face and voice. UEC interpretive specialists convey information that the utilities are required to provide, but they do it in an interactive and entertaining way! At the UEC, customers are exposed to great questions designed to connect behavior to consequences. We're delighted to collaborate with them in activities that blend science with fun and hands-on exploration. Curby's Waste-A-Palooza is one of several UEC events that aim to better engage adults as well as children about sustainability and resource efficiency.

As EU strives to become an employer of choice, we are grateful some of our recent hires decided to apply for a job here after their parents, siblings or friends sang our praises. Working in a service organization isn't for everyone, but we're happy we've been able to hire some terrific young people. And, as some of our longtime employees decide to retire, we expect more opportunities for younger generations.

EU's goal is to provide essential services that protect



The Utility Exploration Center (UEC) is an invaluable partner fulfilling an important mission of being the utilities' face and voice.

and preserve Roseville as a special place to live. We combine a practical, commonsense style with the best available science and engineering into our daily business approach. We act with strategic intent and collaborate with customers and stakeholders who share our views about the importance of treating Roseville with the respect it deserves.

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



Compare our rates

The Environmental Utilities Department operates municipal water, wastewater, recycled water, and solid waste utilities for residential, commercial, and industrial customers in Roseville. City ownership of these municipal utilities allows customers the dual benefit of reliable services and utility rates that remain among the lowest in the region.



Fiscal Year 2017 Statistics

Utility Customer Breakdown

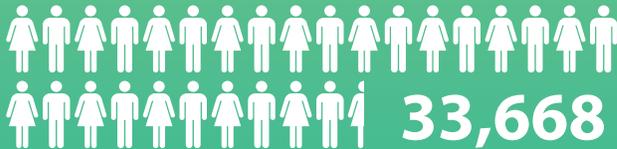
	Water	Wastewater	Solid Waste
Residential Customers	39,597	41,546	44,013
Commercial Customers	3,536	1,892	3,093
Total	43,133	43,438	47,106

Sales, Service and Employees

	Water	Wastewater	Solid Waste
Sales to Customers	\$27,635,884	\$38,961,014	\$22,407,794
Service (Water Production, Wastewater Treatment and Refuse Collection)	25,896 acre feet	6,972 gallons	122,118 tons
Number of Employees (includes EU Admin and EU Technical Services)	84.26	85.64	56.60

Utility Exploration Center Attendance

= 1,000 People



\$76,217 Revenues
(partnerships, grants, fees)

7.125 Number of Employees
2,686 Volunteer Hours





Connecting

to the utility of the
future — today!

Recently, our Wastewater Utility was recognized as a “Utility of the Future Today” by the Water Environment Federation. We were honored to be selected for this award, which is given to water utilities that advance resource efficiency and recovery, and develop proactive relationships with stakeholders to promote resilient, sustainable and livable communities.

The award recognized both EU’s resource-recovery efforts to improve energy efficiency and our recycled water program, which last year recycled approximately a billion gallons of water, irrigating local golf courses, athletic fields and city landscapes and medians. Using recycled water lessens the demand for, and stretches the use of, potable water.

Expanding

our wastewater treatment plant to process waste

Our plan to expand the Pleasant Grove Wastewater Treatment Plant also was recognized by the judges. This project will support future growth in Roseville, and remove food waste and fats, oils and grease (FOG) from the wastewater stream. Using an anaerobic digester, we will process this organic waste to create natural gas. This gas will be used to fuel the City's refuse truck fleet and produce renewable electricity needed to power the wastewater treatment processes.

With this advancement, we will preserve solid-waste landfill space and stabilize long-term fuel costs for our fleet of vehicles. Our plan to create energy from waste illustrates the efficiency we continually seek at EU.

We're particularly delighted that expanding and improving Pleasant Grove was done in collaboration with local neighbors, who have asked us to reduce odors at the plant. We are gratified the changes at Pleasant Grove will address many of their concerns and improve the overall quality of life in that corner of Roseville.

At our Dry Creek Wastewater Treatment Plant, we finished designing a cogeneration facility in 2017. We expect to begin construction of that \$6 million project next year. Fueled by the solids at the plant, the cogeneration projects at Dry Creek and Pleasant Grove will reduce our need to buy more electricity from our sibling utility, Roseville Electric Utility, and thus structurally lower our costs.



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We respond to sewer clogs, too!

Our wastewater utility has a service that might surprise many: a free, 24-hour, on-call service for residents whose sewer has backed up. Rather than call a plumber right away, we urge residents to take advantage of this service, where we send a technician to homes to investigate the cause of a sewer backup. In 2017, we fielded hundreds of calls. You may ultimately need to hire a plumber to remove a blockage, but we encourage customers to check with us first.





Connecting

to the Utility Exploration Center

The Utility Exploration Center (UEC), located in Mahany Park, is a hands-on, experiential learning center where the community can learn about utility resources and living sustainably while also having fun. The center operates with funding from each utility department and is free and open to the public.

Did you know?

- ▶ **33,000 people visited**
the UEC on an annual basis
- ▶ **26 percent increase in**
Workshop Enrollment
- ▶ **43 percent increase in**
Family drop-in participation



How to Prevent Pollution?

Stop it at the source! Once a contaminant enters the waste stream, it becomes increasingly costly and less effective to handle appropriately.

Here's how to minimize pollution.

- First, reduce what you use.
- Second, recycle and reuse what you can.
- Third, treat or handle materials appropriately to minimize risk of contamination.
- Last, dispose of as little as possible.

Pollution Prevention Hierarchy



Our choices

32,915

7,110

Easy

"To the maximum extent of the state the laws shall favor the right to safe, clean, affordable, and accessible water supplies for human consumption, fishing and other purposes."

Waste-A-Palooza

fun family event to learn about waste reduction

“Fatberg” became a word in the English language a few years back after authorities in London had to remove a 66-foot long congealed blob of food waste, “flushable” wipes, “disposable” diapers and fats, oils and grease (FOG) from a London wastewater pipe that was six feet in diameter. The smelly, stinky blob — entirely preventable — was as long as a school bus.

We’re hoping to avoid that here in Roseville. As it often is, the UEC is our city’s first and best line of defense.

“Most people don’t think about where water comes from or what happens to it after they flush their toilet,” said Rachel Tooker, Supervisor of the UEC. “We offer programs that help connect those dots in a fun, hands-on setting. We want to engage families while educating them about the importance of protecting our natural resources.”

That’s why, at this year’s Waste-A-Palooza event, UEC built a “Sewer Swim” exhibit and encouraged kids to climb into a scale model of a city sewer pipe. They entered the exhibit the same way everything enters our wastewater system — through a toilet! Then, they walked through a length of the six-foot diameter pipes representing our city’s sewer system. Children could stand while most adults had to hunch over a bit.

Once inside, the participants found places where



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- Rachel Tooker UEC Supervisor

the diameter of the pipe was narrowed by artfully decorated bunches of cotton balls that were colored yellow to resemble blobs of fats, oils and grease (FOG). Then, the pathway was further constricted when “flushable” wipes, dental floss, medications, “disposable” diapers, fruit wrappers and other products that should not be disposed in a toilet began attaching to the FOG blobs, enlarging them and making it harder for participants to move through the pipes.

The Sewer Swim was one of the highlights of the Waste-A-Palooza, an event that drew over 1,400 adults and children. While fun, the Sewer Swim exhibit also made a serious point: there are only three things that should ever be flushed down a toilet: poop, pee and toilet paper.

“We wanted to find an easy way for parents and children to understand that only those three things should be flushed down a toilet,” Rachel recalled. “The average five-year-old relates very well to pee and poop, so we think that was a fun and memorable way to convey an important point.”

“The Sewer Swim taught me lots of things I didn’t know,” said Lucas Mann, who attended this event for the second time. “My mother never told not to flush Q-Tips and dental floss down the toilet.”

“And, even though baby wipes are advertised as ‘flushable,’ that doesn’t mean you should flush them down the toilet. I imagine I wasn’t the only person there that didn’t know that,” Lucas said.

“There’s a strong emotional response from children and parents when you lift the curtain and show people the consequences of their actions,” Rachel said. “All of our programming operates at two levels: make it fun for the children and make it empowering for the adults. People love interactive instruction, and they respond!”



What happens after you flush the toilet?

Ron Kerin wanted to know what happened after he flushed the toilet. Where does the waste go when it leaves his home? And why was he hearing so much about fruit labels?

To answer these and other questions, Ron joined about 22 other residents in a two-hour tour of the Pleasant Grove Wastewater Treatment plant this past May. These tours, new in 2017, are being offered to answer questions residents may have about those facilities. UEC interpretive specialists Melissa Kinsey and Brayden Mitchell led the tour Ron took.

"I came away from the tour with a better understanding of how these fruit labels, Q-tips, dental floss and flushable wipes were causing problems for the wastewater treatment plants," Ron said. "I didn't know those things don't break down in the system. I didn't know those things could cause the EU's equipment to break down." Ron had another reason for going on the tour: he wanted to see how the money he sends EU each month is being spent. And he came away a big believer. "People always complain that their taxes and their utility bills are too high," he said. "My view is, 'show me what I'm paying for' and I can decide if my money is being well-spent."

"The tour showed me that my money was being well spent," Ron continued. "For a lot of people, what happens after they finish using the toilet is 'out of sight, out of mind.' But during the tour, we were told that when people do that, fatbergs are created."

"I had never heard the term 'fatberg' before," Ron continued. "But that's what happens when people flush things down the toilet that don't belong there. We don't want fatbergs clogging up our community's pipes. So please don't flush anything down your toilet except poop, pee and toilet paper!"



“I came away from the tour with a better understanding of how these fruit labels, Q-tips, dental floss and flushable wipes were causing problems for the wastewater treatment plants,” Ron said.

- Ron Kerin *Roseville Resident*

AB A SHIELD AND
DIVERT TRASH INTO
S PROPER PLACE!



Trash Talking

Curby the Recycling Robot, loves to talk about trash!

“Trash Talking” was another popular exhibit at Waste-A-Palooza. Led by Curby, our talking, motorized trash can robot, parents and children learned about the importance of removing recyclable materials from their waste stream and the importance of making wise, sustainable choices.

Operated by remote control, Curby’s arms moved, his eyes blinked and his lid went up and down as he interacted with attendees. Again and again, Curby reminded children — and parents — that everyone has a role to play in preserving our environment.

The Trash Talking station at Waste-A-Palooza complemented and reinforced messages about sustainability that are part of school programs like “Stuff Busters” and “Lunch Dump,” two of the UEC’s most popular children’s programs.



Gardening Greenly

Green Gardener at Home series at the UEC

When teaching her Green Gardener at Home series at the UEC, Cheryl Buckwalter sometimes hears this from a student: "I wish I knew this six months ago! I just got my landscaping redone and no one told me about that!" But she also hears an equal number of comments like this: "Wow, I've got to tell my friends and family about this. None of us knew trees should not be topped!"

Cheryl is the lead instructor for the 10-week Green Gardener at Home workshop series offered through the UEC. The Green Gardener at Home series is one of several adult-oriented gardening programs at the UEC. Some of these courses are taught by EU water experts like Bobby Alvarez, Water Conservation Administrator.



"In the Green Gardener at Home series, we demonstrate that there's a right plant for the right place and for the right purpose. For example, if you're looking to plant trees to shade your home, you should make sure you don't plant a tree under a power line."

- Cheryl Buckwalter
*Landscape Designer,
Consultant & Educator*

"In the Green Gardener at Home series, we demonstrate that there's a right plant for the right place and for the right purpose," said Cheryl, who has taught in that series for four years. "For example, if you're looking to plant trees to shade your home, you should make sure you don't plant a tree under a power line."

One question that comes up in almost any workshop on gardening is, "How much and how often should I water my lawn?" There's no one right answer, said Cheryl, drawing on her 13 years as a landscape designer. A lot depends on your soils, the season, your plants and other variables. "What we teach is that you water the soil, not the plant, because it is the health of the soil that determines the health of the plant," she said.

"Over-irrigation is a big problem everywhere, though we hope our classes have helped curtail that in Roseville," continued Cheryl, who also runs her own business, Landscape Liaisons. "The rule of thumb we use is that most people irrigate about 50% more than they need. Besides wasting water, over-irrigation also creates other problems in the ecosystem. So if we can reduce over-irrigation, we will reduce other systemic issues facing Roseville."

Noting Governor Brown's recent executive order to make water conservation a way of life for Californians, Cheryl said, "Roseville EU and the UEC got there years before the governor. They have long taken a holistic, integrated approach to resource management and sustainable living."

"I'm proud to be affiliated with the city and the UEC," she continued. "Roseville is such a progressive city and the UEC is such a wonderful resource. They are helping residents adjust their perspective about our environment and our resources, and they're doing it in a fun, hands-on manner."



Big Trucks Summer

a big hit with kids and parents

“My two-year-old son Conor is absolutely obsessed with trucks, particularly the solid waste trucks,” said his mother, Tiffany Norton. “He never gets tired of watching them.”

“We took him to all the Big Trucks Summer events, and all of those events were great, but the one he went completely nuts over was the solid waste truck,” she continued. “He loves to see stuff getting crushed!”

Tiffany continued: “Each Tuesday morning, when Conor hears the solid waste truck in our

neighborhood, he goes out to watch it and say ‘Hi’ to Tim Dierdorff, who drives the truck. Sometimes Conor brings Tim a bottle of water, and Tim will stop the truck to say ‘Hi.’ Some of our neighbors’ kids also are out there on Tuesday mornings, checking in with Tim and watching stuff get crushed.” She asked, “How cool is that?”

Conor is not the only young fan of EU’s big trucks, but he may be the most enthusiastic.



“We took him to all the Big Trucks Summer events, and all of those events were great, but the one he went completely nuts over was the solid waste truck. He loves to see stuff getting crushed!”

- Tiffany Norton *Roseville Resident*







Connecting

to wise water use

Roseville residents and the City of Roseville

were able to get through the state's four-year drought because we had so many people participate in our wise water use programs. From our "Cash for Grass" and "Wise Water House Calls" programs to our "Mulch Mayhem" giveaway event, we saw ever-rising levels of interest and participation.

This validated a belief of ours: if everyone does a little, no one has to do a lot. The drought is over, but the need to use water wisely remains. We were gratified that so many members of our community participated in our wise water use programs during 2017. What follows is a small sample of those efforts.

Mulch Mayhem

aides in water-use efficiency

“You had me at ‘free,’” said **Douglas Swingert, a longtime Roseville resident** said of our Mulch Mayhem event, held last May. I’m a retired engineer, so I think about money and efficiency. When EU said the mulch was free, it got my attention.”

EU distributed about 395 cubic yards of mulch at no cost to residents during Mulch Mayhem 2017, which

was held at the Placer County Fairgrounds. Over a four-hour period, vehicles were given one cubic yard of mulch at no cost. Unfortunately, demand was so high — about 13 percent higher than our Mulch Mayhem 2016 event — that we had to turn away about 75 vehicles.



EU distributed about 395 cubic yards of mulch at no cost to residents during Mulch Mayhem 2017, which was held at the Placer County Fairgrounds. Over a four-hour period, vehicles were given one cubic yard of mulch.

NorCal Wholesale Bark donated all the mulch. They were easy to work with and they delivered excellent product. We look forward to working with them again.

Douglas had high praise for the 25 people who staffed the event. "They were really efficient and friendly," he said. One volunteer provided music to entertain participants, some of whom waited for up to two hours for their mulch. The event would not have been a success without those volunteers and corporate partners.

Mulch helps soil retain water, leading to better plant and shrub health. Distributing it free to residents is part of our attempt to think creatively and holistically about using water wisely.

California's long drought caused Douglas to rethink the landscaping at his home. About two years ago, he removed all the turf at his home and replaced it with Cape Mertyl trees, Mexican Heather plants and Australian and New Zealand ferns.

Now, those drought-tolerant plants, coupled with his existing oak trees, have dramatically cut his water use and add color to his yard. He also installed a drip irrigation system to more efficiently water his plants, shrubs and trees.

"My water use is down a ton, maybe 50 percent, and I spend a lot less time taking care of my yard than before," Douglas said. "The mulch helps keep my yard moist and my water use low."

"This is a city that really puts its money where its mouth is," he continued. "It offers a lot of free programs that help get us where we need to be as a community. These programs have a good payback."



Yes, we make house calls!

Our program provides water saving advice to all customers



Customers who receive a Water Wise House Call find their water usage declined by an average of 15 percent, though savings of 30 percent or more have been documented.

The Mulch Mayhem event was only one of several programs offered by EU to encourage wise use of water. In 2017, our water efficiency specialists made 1,018 no-cost Water Wise House Calls, a 32 percent increase over the number of calls we made in 2016.

“Remember when doctors used to make house calls?” asked Jen Sbaffi, an EU water efficiency specialist. “That’s exactly what we do in our Water Wise House Calls program. We send our water doctors to people’s homes to diagnose problems and recommend solutions.”

Customers who receive a Water Wise House Call find their water usage declined by an average of 15 percent, though savings of 30 percent or more have been documented, noted Jen.

All Water Wise House Calls also include free water-saving devices, brochures and any current rebate information to help customers lower their water use. Each visit is followed up with a written report that helps inform customers about wise water use.

“The real value of the Water Wise House Calls program is the one-to-one interaction with customers where we show them how to set their irrigation system,” said Jen.

Most of the water savings identified during Water Wise House calls are in the irrigation system, Jen said.



“The Water Conservation team has a very high level of direct interaction with customers and every year we receive a number of emails and letters praising team members for their professionalism and their willingness to take the time to explain issues like irrigation schedules.”

-Bobby Alvarez *Water Conservation Administrator*

Irrigation can account for 60 percent to 70 percent of a homeowner’s water usage.

“The EU Water Conservation folks are doing a great job,” said resident Larry Blevins. “Their house call was great. John, the technician who came to my home, was really friendly and professional. He explained the program and the rebates.”

Larry continued, “I tell all my friends in Roseville about the Water Wise House Call program. Everyone should take advantage of it. Their rebates are great for frugal people like me.”

Best of all, the Water Wise House Calls are free. “You can’t beat that with a stick,” Jen said with a smile.

Bobby Alvarez, Water Conservation Administrator,

said Water Wise House Calls, Mulch Mayhem and EU’s other water efficiency programs are successful because the staff of eight field technicians, one specialist and four office workers share a common goal and passion around resource efficiency.

“The Water Conservation team has a very high level of direct interaction with customers,” Bobby said, “and every year we receive a number of emails and letters praising team members for their professionalism and their willingness to take the time to explain issues like irrigation schedules.”

“Most people say they are surprised EU offers free assistance,” he continued. “They are especially surprised, and delighted, when they hear we make free house calls and give them free water-saving devices!”

**ENVIRONMENTAL
UTILITIES
ENTERPRISE FUNDS**
City of Roseville, California

**BASIC FINANCIAL
STATEMENTS**
For the Year Ended June 30, 2017



CITY OF ROSEVILLE ENVIRONMENTAL
UTILITIES ENTERPRISE FUNDS

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

Public Utilities Commission
Environmental Utilities Department
City of Roseville, California

Report on Financial Statements

We have audited the accompanying financial statements of Environmental Utilities Enterprise Funds (Funds) of the City of Roseville, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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, 2017, 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, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the City's Miscellaneous Plan net pension liability and schedule of pension contributions on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Other Information

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

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, 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
December 22, 2017



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and investments in City Treasury	\$ 72,017,116	\$ 58,392,043	\$ 24,235,179	\$ 154,644,338
Restricted cash and investments with fiscal agents	9,512,530	-	-	9,512,530
Receivables:				
Accounts, net of allowance for doubtful accounts	6,241,212	5,790,575	2,816,102	14,847,889
Accrued interest	347,423	211,085	97,276	655,784
Due from other government agencies	91,497	42,932	6,001	140,430
Notes	81,703	-	-	81,703
Inventories	473,167	127,578	36,173	636,918
Total Current Assets	<u>88,764,648</u>	<u>64,564,213</u>	<u>27,190,731</u>	<u>180,519,592</u>
Noncurrent Assets:				
Investments in SPWA reserves	-	77,176,911	-	77,176,911
Capital assets:				
Land and construction in progress	6,124,448	23,249,517	501,111	29,875,076
Capital assets being depreciated, net	474,130,244	549,038,156	1,711,181	1,024,879,581
Total Noncurrent Assets	<u>480,254,692</u>	<u>649,464,584</u>	<u>2,212,292</u>	<u>1,131,931,568</u>
Total Assets	<u>569,019,340</u>	<u>714,028,797</u>	<u>29,403,023</u>	<u>1,312,451,160</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,215,332	-	-	2,215,332
Accumulated decrease in fair value of hedging derivative	-	4,570,757	-	4,570,757
Deferred outflows related to pensions	4,085,397	3,295,778	1,974,100	9,355,275
Total Deferred Outflows of Resources	<u>6,300,729</u>	<u>7,866,535</u>	<u>1,974,100</u>	<u>16,141,364</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	564,210	1,045,393	690,474	2,300,077
Accrued liabilities	682,421	3,217,607	216,709	4,116,737
Due to other government agencies	-	4,511,036	-	4,511,036
Current portion of compensated absences	581,015	535,513	244,414	1,360,942
Current portion of long-term debt	2,330,000	2,635,965	-	4,965,965
Deposits	36,500	-	-	36,500
Total Current Liabilities	<u>4,194,146</u>	<u>11,945,514</u>	<u>1,151,597</u>	<u>17,291,257</u>
Long-Term Liabilities:				
Long-term debt, non-current portion	41,335,537	82,657,098	-	123,992,635
Landfill closure and post closure liability	-	-	1,759,437	1,759,437
Compensated absences	1,047,848	1,123,581	423,209	2,594,638
Derivative at fair value	-	4,570,757	-	4,570,757
Net pension liability	16,842,343	18,353,050	10,207,481	45,402,874
Total Long-Term Liabilities	<u>59,225,728</u>	<u>106,704,486</u>	<u>12,390,127</u>	<u>178,320,341</u>
Total Liabilities	<u>63,419,874</u>	<u>118,650,000</u>	<u>13,541,724</u>	<u>195,611,598</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	1,757,874	482,249	268,215	2,508,338
NET POSITION				
Net investment in capital assets	438,804,487	486,994,610	2,212,292	928,011,389
Restricted for debt service	4,134,075	4,829,982	-	8,964,057
Unrestricted	67,203,759	110,938,491	15,354,892	193,497,142
Total Net Position	<u>\$ 510,142,321</u>	<u>\$ 602,763,083</u>	<u>\$ 17,567,184</u>	<u>\$ 1,130,472,588</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, 2017**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
OPERATING REVENUES				
Charges for services	\$ 27,635,884	\$ 38,961,014	\$ 22,407,794	\$ 89,004,692
Other	347,535	39,976	703,703	1,091,214
Total Operating Revenues	<u>27,983,419</u>	<u>39,000,990</u>	<u>23,111,497</u>	<u>90,095,906</u>
OPERATING EXPENSES				
Operations	15,258,098	18,449,012	17,437,979	51,145,089
Administration	2,947,532	521,622	745,431	4,214,585
Depreciation and amortization	9,993,212	12,959,173	124,050	23,076,435
Total Operating Expenses	<u>28,198,842</u>	<u>31,929,807</u>	<u>18,307,460</u>	<u>78,436,109</u>
Operating Income (Loss)	<u>(215,423)</u>	<u>7,071,183</u>	<u>4,804,037</u>	<u>11,659,797</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and rents revenue	390,545	57,373	27,515	475,433
Interest and fiscal charges (expense)	(1,874,682)	(3,490,066)	-	(5,364,748)
Cost of issuance	-	(12,640)	-	(12,640)
Gain (loss) from sale of property	(1,475)	-	-	(1,475)
Subventions and grants	53,881	-	70,876	124,757
Increase (decrease) in SPWA reserves	-	(4,938,018)	-	(4,938,018)
Net Nonoperating Revenues (Expenses)	<u>(1,431,731)</u>	<u>(8,383,351)</u>	<u>98,391</u>	<u>(9,716,691)</u>
Income (Loss) Before Contributions and Transfers	(1,647,154)	(1,312,168)	4,902,428	1,943,106
Capital contributions - connection/impact fees	8,716,171	13,696,224	691,473	23,103,868
Capital contributions from developers and others	14,242,679	10,301,279	40,851	24,584,809
Transfers in	3,570,461	1,805,939	10,000	5,386,400
Transfers (out)	(6,714,708)	(6,941,692)	(4,473,314)	(18,129,714)
Total contributions and transfers	<u>19,814,603</u>	<u>18,861,750</u>	<u>(3,730,990)</u>	<u>34,945,363</u>
Change in Net Position	18,167,449	17,549,582	1,171,438	36,888,469
Total net position-beginning, as restated	491,974,872	585,213,501	16,395,746	1,093,584,119
Total net position-ending	<u>\$ 510,142,321</u>	<u>\$ 602,763,083</u>	<u>\$ 17,567,184</u>	<u>\$ 1,130,472,588</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, 2017**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 26,419,491	\$ 38,061,812	\$ 22,321,842	\$ 86,803,145
Payments to suppliers	(8,471,497)	(12,624,045)	(11,106,492)	(32,202,034)
Payments to employees	(10,210,019)	(5,900,274)	(7,521,315)	(23,631,608)
Other receipts	347,535	39,976	703,703	1,091,214
Net Cash Provided by (Used for) Operating Activities	<u>8,085,510</u>	<u>19,577,469</u>	<u>4,397,738</u>	<u>32,060,717</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	171,136	675,967	64,875	911,978
Transfers in	3,570,461	1,805,939	10,000	5,386,400
Transfers (out)	(6,714,708)	(6,941,692)	(4,473,314)	(18,129,714)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(2,973,111)</u>	<u>(4,459,786)</u>	<u>(4,398,439)</u>	<u>(11,831,336)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(14,895,455)	(17,179,145)	(52,816)	(32,127,416)
Loss from sale of capital assets	(1,475)	-	-	(1,475)
Transfer of connection fees to SPWA	-	(9,731,590)	-	(9,731,590)
Acquisition of restricted assets	(165,334)	-	-	(165,334)
Deferred charges on refunding	170,410	-	-	170,410
(Issuances) and payments on notes receivables	(81,703)	-	-	(81,703)
Issuance of costs	-	(12,640)	-	(12,640)
Principal paid on capital debt	(2,716,964)	(2,659,123)	-	(5,376,087)
Interest paid on capital debt	(1,874,682)	(3,490,066)	-	(5,364,748)
Connection fees	22,958,850	27,506,046	732,324	51,197,220
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>3,393,647</u>	<u>(5,566,518)</u>	<u>679,508</u>	<u>(1,493,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	187,154	(57,757)	(22,543)	106,854
Net increase (decrease) in cash and cash equivalents	8,693,200	9,493,408	656,264	18,842,872
Cash and cash equivalents at beginning of period	63,323,916	48,898,635	23,578,915	135,801,466
Cash and equivalents at end of period	<u>\$ 72,017,116</u>	<u>\$ 58,392,043</u>	<u>\$ 24,235,179</u>	<u>\$ 154,644,338</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, 2017**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income	\$ (215,423)	\$ 7,071,183	\$ 4,804,037	\$ 11,659,797
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	9,993,212	12,959,173	124,050	23,076,435
Net pension liability and related amounts	(417,205)	(214,629)	70,905	(560,929)
Changes in assets and liabilities:				
Receivables, net	(1,208,393)	(899,202)	(50,612)	(2,158,207)
Inventories	(46,097)	(54,589)	17,251	(83,435)
Accounts and other payables	(20,584)	715,533	(532,553)	162,396
Unearned revenue	-	-	(35,340)	(35,340)
Net Cash provided by Operating Activities	<u>\$ 8,085,510</u>	<u>\$ 19,577,469</u>	<u>\$ 4,397,738</u>	<u>\$ 32,060,717</u>
NONCASH TRANSACTIONS				
Contribution of Capital Assets	\$ 14,242,679	\$ 10,301,279	\$ 40,851	\$ 24,584,809
Amortization of bond premium	\$ 461,964	\$ 201,973		\$ 663,937
Amortization of deferred amount on refunding	\$ (170,410)			\$ (170,410)

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

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

B. Basis of Presentation

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

The Funds include the following funds:

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

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

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

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.



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

D. Cash and Investments

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

E. Prepaids

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

F. Inventories

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

G. Deposits from Customers

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Funds have 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 described in note 7.



CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Funds has one item that qualifies for reporting in this category. The deferred inflows related to pensions are described in note 7.

I. 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.

J. 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	\$ 4,081,269
Additions	850,542
Payments	(976,231)
Ending Balance	<u>\$ 3,955,580</u>
Current Portion	<u><u>\$ 1,360,942</u></u>

K. 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fair Value Measurement

The funds categorize the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

M. 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.

N. Capital Assets

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

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

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

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



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (Continued)

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

O. Net Position

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

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted to use.

P. New Accounting Pronouncements

Effective in Future Fiscal Years

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



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. New Accounting Pronouncements (Continued)

Effective in Future Fiscal Years (Continued)

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

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The City has not determined the effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. The City has not determined the effect on the financial statements.

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

NOTE 2 – CASH AND INVESTMENTS

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

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



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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 in City Treasury	\$ 154,644,338
Restricted cash and investments with fiscal agent	9,512,530
Total Cash and Investments	<u>\$ 164,156,868</u>

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 600
City pooled cash and investments	154,643,738
Investments	9,512,530
Total Cash and Investments	<u>\$ 164,156,868</u>



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

A. Investments Authorized by the California Government Code and the City's Investment Policy

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

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

- (A) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities.
- (B) Eligible Commercial Paper may not represent more than 10% of the outstanding paper of an issuing corporation.
- (C) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments, not the General Fund.



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements

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

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

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

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

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

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



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Interest Rate Risk

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

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

	Remaining Maturity (in Months)	
	12 Months or Less	Total
Investments held with fiscal agent: Money Market Mutual Funds (U.S. Agency Securities)	\$ 9,512,530	\$ 9,512,530
Total Investments	\$ 9,512,530	\$ 9,512,530

D. 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.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2017, for each investment type as provided by Standard and Poor's investment rating system:

	AAA/AAAm	Total
Investments: Money Market Mutual Funds (U.S. Agency Securities)	\$ 9,512,530	\$ 9,512,530
Total Investments		\$ 9,512,530



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

F. Fair Value Measurements

The Funds categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

The Funds have the following recurring fair value measurements as of June 30, 2017:

	<u>Level 2</u>
Money Market Funds	<u>9,512,530</u>
Total Investments	<u>\$ 9,512,530</u>

Pooled cash and investments

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

The Fund's pooled cash and investments balance at June 30, 2017 is \$154,643,740. The deposit and investment disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are reported in the annual report of the City. The Fund recognizes its position in the City investment pool at fair value based on information provided by the City. Deposits and withdrawals to the pool are made on the basis of \$1 and not fair value. Accordingly, the inputs used to measure fair value are uncategorized and not defined as Level 1, Level 2 or Level 3. Additional information regarding interest rate risk, concentration of credit risk, custodial credit risk and fair value measurements of the City's pooled cash and investments is presented in the City's Comprehensive Annual Financial Report.



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers Among Funds and with the City

With City Council approval, resources may be transferred from one fund to another. Transfers between funds during the fiscal year ended June 30, 2017, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Transferred	
Water Operations	Water Technical Services	\$ 203,215	(A)
	Water Construction	1,984,085	(B)
	Wastewater Operations	643,715	(A), (B), (C)
	Solid Waste Operations	643,697	(A), (B)
Water Construction	Water Operations	68,784	(B)
Water Rehabilitation	Water Operations	3,348,404	(D)
	Wastewater Rehabilitation	768,051	(D)
	Water Technical Services	25,000	(D)
	Non-Major Governmental Funds	5,293	(D)
Water Rate Stabilization	Water Operations	1,150,000	(B)
Water Technical Services	Water Operations	1,512,803	(A)
	Wastewater Operations	840,477	(A), (B)
	Solid Waste Operations	105,484	(B)
Utility Exploration Center	City of Roseville Electric Fund	303,649	(D)
	Water Operations	130,047	
	Wastewater Operations	130,047	(B)
	Solid Waste Operations	130,044	(D)
Wastewater Rehabilitation	City of Roseville General Fund	130,000	(D)
	Water Operations	386,538	(B)
	Water Rehabilitation	24,586	(B)
	Wastewater Rehabilitation	2,058,351	(B)
	Solid Waste Operations	386,539	(D)
Wastewater Rehabilitation	Water Rehabilitation	878,276	(D)
	Wastewater Operations	6,925,585	(D)
Wastewater Rate Stabilization	Wastewater Operations	975,000	(B)
Solid Waste Rehabilitation	Solid Waste Operations	438,520	(A), (B)
	Utility Exploration Center	10,000	(B)
Solid Waste Rate Stabilization	Solid Waste Operations	200,000	(B)
City of Roseville General Fund	Water Operations	2,797,735	(A), (B), (D)
	Water Construction	253,957	(A), (D)
	Water Rehabilitation	13,551	(A)
	Water Meter Retrofit	626	(A)
	Water Rate Stabilization	2,721	(A)
	Water Technical Services	261,319	(A)
	Utility Exploration Center	57,874	(A)
	Wastewater Operations	2,318,746	(A), (B), (D)
	Wastewater Construction	1,247	(A)
	Wastewater Rehabilitation	165,649	(A), (C)
	Wastewater Rate Stabilization	2,165	(A)
	Solid Waste Operations	1,836,872	(A), (B), (D)
	Solid Waste Capital Purchase	4,420	(A)
	Solid Waste Rehabilitation	6,478	(A)
City of Roseville Non-Major Governmental Funds	Water Operations	736,100	(C)
	Water Construction	628	(C)
	Water Rehabilitation	386,777	(C)
	Water Technical Services	51,084	(C)
	Wastewater Operations	669,800	(C)
	Wastewater Rehabilitation	466,005	(C)
	Solid Waste Operations	294,110	(C)
	Solid Waste Rehabilitation	394,880	(D)
City of Roseville Internal Service Funds	Water Operations	716,124	(A)
	Water Meter Retrofit	8,826	(A)
	Water Technical Services	127,982	(A)
	Wastewater Operations	935,790	(A)
	Solid Waste Operations	670,792	(A)
Total Intrafund Transfers		\$ 37,588,448	
	Intrafund Eliminations	(19,019,790)	
	Total	18,568,658	

- (A) To pay for indirect costs
- (B) To fund utility impact reimbursement or capital projects
- (C) To pay debt service
- (D) To fund operations



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, interfund balances comprised the following:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Water Construction	Water Operations	\$ 385,000 (A)
	Water Rehabilitation	249,080 (A)
		<u>634,080</u>
	Intrafund Eliminations	(634,080)
	Total	<u>\$ -</u>

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

C. Long-Term Interfund Advances

At June 30, 2017, the funds below had made advances which were not expected to be repaid within the next year.

<u>Fund Making Advance</u>	<u>Fund Receiving Advance</u>	<u>Amount</u>
Water Construction	Water Operations	\$ 4,615,000
	Water Rehabilitation	1,339,760
		<u>5,954,760</u>
	Intrafund Eliminations	(5,954,760)
	Total	<u>\$ -</u>

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



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 5,784,165	\$ 8,185,437	\$ (1,436,688)	\$ (8,185,437)	\$ 4,347,477
Construction in progress	25,527,599	-	-	-	25,527,599
Total Capital Assets Not Being Depreciated	31,311,764	8,185,437	(1,436,688)	(8,185,437)	29,875,076
Capital assets, being depreciated:					
Buildings	4,427,870	-	-	73,800	4,501,670
Improvements	4,135,751	18,200	-	-	4,153,951
Machinery and equipment	10,246,710	115,268	(6,493,719)	2,073,917	5,942,176
Flood control	8,830,439	-	-	-	8,830,439
Plants and substations	294,695,528	-	-	-	294,695,528
Distribution	1,035,324,895	22,986,498	-	6,037,720	1,064,349,113
Total Capital Assets Being Depreciated	1,357,661,193	23,119,966	(6,493,719)	8,185,437	1,382,472,877
Less accumulated depreciation for:					
Buildings	(853,659)	(111,443)	-	(72,262)	(1,037,364)
Improvements	(520,130)	(115,439)	-	-	(635,569)
Machinery and equipment	(7,675,029)	(1,604,497)	4,522,162	72,262	(4,685,102)
Flood control	(529,826)	(117,739)	-	-	(647,565)
Plants and substations	(102,047,600)	(6,468,618)	-	-	(108,516,218)
Distribution	(225,967,386)	(16,104,092)	-	-	(242,071,478)
Total Accumulated Depreciation	(337,593,630)	(24,521,828)	4,522,162	-	(357,593,296)
Net Capital Assets Being Depreciated	1,020,067,563	(1,401,862)	(1,971,557)	8,185,437	1,024,879,581
Environmental Utilities Enterprise Funds Capital Assets, net	\$ 1,051,379,327	\$ 6,783,575	\$ (3,408,245)	\$ -	\$ 1,054,754,657

B. Depreciation Allocation

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

Water Operations	\$ 8,838,184
Water Construction	1,704,672
Water Rehabilitation	219,658
Water Meter Retrofit	472,025
Water Technical Services	2,093
Wastewater Operations	6,018,343
Wastewater Construction	6,556,798
Wastewater Rehabilitation	586,005
Solid Waste Operations	99,002
Solid Waste Capital Purchases	12,956
Solid Waste Rehabilitation	12,092
Total Environmental Utilities Enterprise Funds	\$ 24,521,828



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Certificates of Participation:						
2015 Water Utility Revenue 2.00% - 5.00%, due 12/1/29	\$ 42,565,000	\$ 39,915,000	\$ -	\$ (2,255,000)	\$ 37,660,000	\$ 2,330,000
Add: bond premium	6,899,891	6,467,501	-	(461,963)	6,005,538	-
Total Certificates of Participation	49,464,891	46,382,501	-	(2,716,963)	43,665,538	2,330,000
Revenue Bonds:						
2011 Refunding Wastewater Revenue Bonds, Series C 1.00-5.25%, due 11/1/25	36,315,568	31,394,189	-	(2,457,151)	28,937,038	2,635,965
Add: bond premium	2,839,017	2,019,727	-	(201,973)	1,817,754	-
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	93,692,855	87,952,186	-	(2,659,124)	85,293,062	2,635,965
Total Environmental Utilities Enterprise Funds Debt:	\$ 143,157,746	\$ 134,334,687	\$ -	\$ (5,376,087)	\$ 128,958,600	\$ 4,965,965

B. 2015 Water Utility Revenue Refunding Certificates of Participation

On August 20, 2015, the Roseville Finance Authority issued the Water Revenue Certificates of Participation, Series 2015, in the principal amount of \$42,565,000 to refund the 2007 Water Utility Certificates of Participation. The Bonds bear interest at 2.00% to 5.00% and are due semi-annually on December 1 and June 1 of each year. The Bonds are repayable by a pledge of net revenue from the Water Utility System. Principal payments are due annually on December 1 through 2030. The refunding resulted in a deferred loss on refunding of \$1,940,826 that is recorded as a deferred outflow of resources and is being amortized over the life of the refunded bonds.

As of June 30, 2017, the total principal and interest remaining to be paid on the bonds was \$50,078,350. 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 2017 net revenues amounted to \$9,563,758 which represented coverage of 232% over the \$4,123,192 in debt service.

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

On April 7, 2011, the South Placer Wastewater Authority (Authority) issued Variable Rate Demand Refunding Wastewater Revenue Bonds Series 2011A and 2011B in the original principal amounts of \$30,165,000 and \$30,160,000, respectively, and Revenue Refunding Bonds Series 2011C and 2011D (SIFMA Index Bonds) in the original principal amount of \$67,040,000 and \$30,000,000, respectively. The City's share of this obligation was determined to be 54.17% 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, 2017

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. 2011 South Placer Wastewater Authority Refunding 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 2011A and 2011B Bonds were refunded by the 2013 South Placer Wastewater Authority Refunding Wastewater Bonds. During fiscal year 2015, the 2011D Bonds were refunded by the Wastewater Revenue Refunding Bonds, Series 2014.

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 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, 2017 was 0.870%. 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, 2017 was 4.13%.



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. South Placer Wastewater Authority Refunding Bonds, Series 2014

On August 7, 2014, the Authority issued the Wastewater Revenue Refunding Bonds, Series 2014, in the amount of \$29,120,000 to refund the Authority's Wastewater Revenue Refunding Bonds, Series 2011D. 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. The SIFMA Index Rate is defined as 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, 2017, the total principal and interest remaining to be paid on the 2011 Series C, the 2013 Bonds and the 2014 Bonds was \$102,562,990. 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 2017, \$5,747,905 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 Authority to create synthetic fixed rates on the Revenue Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement are disclosed below.



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Interest Rate Swap Agreement (Continued)

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2017, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issue.

Related Bond Issue	Notional Amount	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)	\$ 39,940,265 (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 \$64,775,000 related to the 2008B Bond. The City's share of these underlying Bonds is 61.66%, or \$39,940,265. Only the City's portion of the swap agreement is shown above, since the City was only obligated for that portion of the Authority's bonds.

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

Fair value. Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates (LIBOR or SIMFA). The payments are then discounted using the spot rates (LIBOR or SIMFA) implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. As of June 30, 2017, the fair value of the swaps was not in favor of the Funds as follows:

Related Bond Issue	Fair Value	
	2017	2016
2011 Refunding Wastewater Revenue Bonds, Series C and 2013 Refunding Wastewater Revenue Bonds (based on notional amount of 2008 Refunding Wastewater Revenue Bonds, Series B)	(A) \$ (4,570,757)	\$ (7,105,783)

(A) The Authority's swap agreement is based on the notional amount of \$64,775,000 equivalent to the notional balance on the 2008B Bonds. The City share of these underlying Bonds was 61.66%, or \$39,940,265. 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.

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



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Interest Rate Swap Agreement (Continued)

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

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

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

Rollover risk. Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the Authority will be re-exposed to the risks being hedged by the swap. The swap 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, 2017

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Interest Rate Swap Agreement (Continued)

Swap payments and associated debt. Using rates as of June 30, 2017, 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, 2017:

For the Year Ending June 30,	Variable-Rate and Fixed Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2018	\$ -	\$ 558,485	\$ 1,220,538	\$ 1,779,023
2019	-	558,485	1,220,538	1,779,023
2020	-	558,485	1,220,538	1,779,023
2021	-	558,485	1,220,538	1,779,023
2022	-	558,485	1,220,538	1,779,023
2023-2027	7,673,587	2,710,466	2,194,853	12,578,906
2028-2032	24,241,629	1,789,857	46,301	26,077,787
2033-2036	22,623,054	436,611	-	23,059,665
Totals	<u>\$ 54,538,270</u>	<u>\$ 7,729,359</u>	<u>\$ 8,343,844</u>	<u>\$ 70,611,473</u>

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
2018	\$ 4,965,965	\$ 4,005,991
2019	5,265,194	3,762,030
2020	5,596,755	3,492,277
2021	5,953,731	3,201,495
2022	6,311,873	2,894,911
2023-2027	37,565,803	9,384,638
2028-2032	32,852,933	3,812,884
2033-2036	22,623,054	921,243
Totals	121,135,308	<u>\$ 31,475,469</u>

Reconciliation of long-term debt	
Add deferred bond premium	<u>7,823,292</u>
Net long-term debt	<u>\$ 128,958,600</u>

H. Original Issue Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.



CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN

Plan Description – The Funds participate and contribute to the City’s Miscellaneous Plan (Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plan’s provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	After January 1, 2013
Hire date		
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	24.666%	24.666%

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, 2017, 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 \$4,656,142 for the year ended June 30, 2017.



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED)

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

As of June 30, 2017, the Funds reported a combined net pension liability of \$45,402,874 for its proportionate share of the City’s Plan’s net pension liability.

The net pension liability of the Plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The Funds’ proportion of the City’s Miscellaneous Plan’s net pension liability was based on the Funds’ fiscal year 2016 contributions to the City’s Plan relative to the total contributions of the City as a whole. The Funds’ proportionate share of the City’s miscellaneous pension plan net pension liability, measured as of June 30, 2015 and 2016 was 22.92% and 22.24%, respectively.

For the year ended June 30, 2017, the Funds recognized pension expense of \$4,037,284. At June 30, 2017, the Funds reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 4,656,142	\$ -
Changes of assumptions	-	1,006,555
Differences between expected and actual experience	-	194,692
Changes in proportions	-	1,307,091
Net differences between projected and actual earnings on pension plan investments	4,699,133	-
Total	<u>\$ 9,355,275</u>	<u>\$ 2,508,338</u>

The amount of \$4,656,142 reported in the Funds as deferred outflows of resources related to pensions, resulting from the Funds’ contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Year ended June 30	
2018	\$ 309,839
2019	309,839
2020	396,334
2021	1,174,783
Total	<u>\$ 2,190,795</u>



CITY OF ROSEVILLE
 ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – PENSION PLAN (CONTINUED)

Actuarial Assumptions – The Funds’ proportion of the City’s total pension liabilities in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65%
Mortality	Derived using CalPERS membership data

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 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, 2017

NOTE 6 – PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-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 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Fund’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 Funds’ proportionate share of the City’s Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate – The following presents the Funds’ proportionate share of the net pension liability of the Plan, calculated using the discount rate for the Plan, as well as what the Funds’ proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$ 62,791,491
Current Discount Rate	7.65%
Net Pension Liability	\$ 45,402,874
1% Increase	8.65%
Net Pension Liability	\$ 31,026,051

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 also 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, 2017**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City provides medical benefits to substantially all retirees under the City of Roseville Other Post Employment Benefit Plan, a single employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the Plan. To be eligible for the City paid benefits, retirees must be at least age 50 with 5 years of City service at retirement.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2015, 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 7.00% to 7.20% in 2017 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 26 years remaining.

Annual OPEB Cost

The Funds contributed \$1,331,853, \$1,124,642 and \$1,091,797, toward the City's annual OPEB cost for the years ended June 30, 2017, 2016 and 2015 respectively, which represented 34.20%, 27.78% and 36.48% 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 8 – RISK MANAGEMENT

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



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 – SOUTH PLACER WASTEWATER AUTHORITY

The City is a member of the South Placer Wastewater Authority (SPWA), a joint powers agency which operates under a joint powers agreement among three public agencies, the City of Roseville, South Placer Municipal Utility District and Placer County. The purpose of SPWA is to provide for the planning, financing, acquisition, 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. On August 13, 2014, the Series 2011D SIFMA Index Bonds were refunded in the Series 2014 SIFMA Index Bonds in the principal amount of \$29,120,000. 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, 2017, the City paid \$13,234,296 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, 2017, was \$77,176,911.

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, 2017

NOTE 10 – MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Solid Waste Enterprise Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. During fiscal year 2017, the changes of landfill closure liabilities were as follows:

Beginning Balance	\$ 1,999,776
Deductions	<u>(240,339)</u>
Ending Balance	<u><u>\$ 1,759,437</u></u>

NOTE 11 – RESTATEMENT

A. Capital Asset Adjustments

The beginning net position of the Water, Wastewater, and Solid Waste Funds have been restated by \$5,675,653 to properly account for a large project that was complete, however not properly placed in service and to remove residential garbage cans that were previously capitalized under the capitalization threshold.

B. Fund Reclassifications

The beginning net position of the Utility Exploration Center Fund has been reclassified as a sub-fund of the Water Fund for more appropriate presentation in the financial statements.

Net Position as of June 30, 2017, have been restated as follows:

	Beginning Net Position/Fund Balance (as previously reported)	Capital Asset Adjustments	Fund Reclassifications	Beginning Net Position/Fund Balance (restated)
Water Fund	\$ 493,460,017	\$ (1,581,280)	\$ 96,135	\$ 491,974,872
Wastewater Fund	587,311,942	(2,098,441)		585,213,501
Solid Waste Fund	18,391,677	(1,995,931)		16,395,746
Water Operations	350,110,777	(1,581,280)		348,529,497
Utility Exploration Center			96,135	96,135
Wastewater Operations	288,616,531	(2,098,441)		286,518,090
Solid Waste Operations	11,107,099	(1,457,291)		9,649,808
Solid Waste Capital Purchase	3,032,835	(296,127)		2,736,708
Solid Waste Rehabilitation	2,876,248	(242,513)		2,633,735



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

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

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

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



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN YEARS*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 3,657,536	\$ 3,906,008	\$ 4,656,142
Contributions in relation to the actuarially determined contribution	3,657,536	3,906,008	4,656,142
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,784,820	\$ 16,538,824	\$ 18,089,649
Contributions as a percentage of covered payroll	23.17%	23.62%	0.00%
Notes to Schedule			
Valuation date:	6/30/2013	6/30/2014	6/30/2015

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



SUPPLEMENTARY INFORMATION



CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

WATER ENTERPRISE FUND:

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

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

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

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

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

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

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

WASTEWATER ENTERPRISE FUND:

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

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

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

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

SOLID WASTE ENTERPRISE FUND:

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

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

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

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



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017**

	Water Enterprise Fund								Total
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	
ASSETS									
Current Assets:									
Cash and investments in City Treasury	\$ 17,434,277	\$ 34,730,157	\$ 10,927,555	\$ 852,229	\$ 7,754,116	\$ 154,981	\$ 163,801	\$ -	\$ 72,017,116
Restricted cash and investments with fiscal agents	-	9,512,530	-	-	-	-	-	-	9,512,530
Receivables:									
Accounts, net of allowance for doubtful accounts	3,836,267	2,372,964	-	31,981	-	-	-	-	6,241,212
Accrued interest	45,870	221,883	44,269	3,465	30,054	1,603	279	-	347,423
Due from other government agencies	6,941	84,556	-	-	-	-	-	-	91,497
Notes	-	-	-	81,703	-	-	-	-	81,703
Due from other funds	-	634,080	-	-	-	-	-	(634,080)	-
Inventories	473,167	-	-	-	-	-	-	-	473,167
Total Current Assets	21,796,522	47,556,170	10,971,824	969,378	7,784,170	156,584	164,080	(634,080)	88,764,648
Noncurrent Assets:									
Investments in SPWA reserves	-	-	-	-	-	-	-	-	-
Capital assets:									
Land and construction in progress	317,645	2,427,059	3,379,744	-	-	-	-	-	6,124,448
Capital assets being depreciated, net	355,136,071	99,790,107	14,088,319	5,114,875	-	872	-	-	474,130,244
Total Noncurrent Assets	355,453,716	108,171,926	17,468,063	5,114,875	-	872	-	(5,954,760)	480,254,692
Total Assets	377,250,238	155,728,096	28,439,887	6,084,253	7,784,170	157,456	164,080	(6,588,840)	569,019,340
DEFERRED OUTFLOWS OF RESOURCES									
Deferred charge on refunding	-	2,215,332	-	-	-	-	-	-	2,215,332
Accumulated decrease in fair value of hedging derivative	-	-	-	-	-	-	-	-	-
Deferred outflows related to pensions	3,306,240	-	-	-	-	779,157	-	-	4,085,397
Total Deferred Outflows of Resources	3,306,240	2,215,332	-	-	-	779,157	-	-	6,300,729
LIABILITIES									
Current Liabilities:									
Accounts payable	473,925	39,144	18,941	7,614	-	9,686	14,900	-	564,210
Accrued liabilities	429,599	154,116	36,200	6	-	52,715	9,785	-	682,421
Due to other government agencies	-	-	-	-	-	-	-	-	-
Due to other funds	385,000	-	249,080	-	-	-	-	(634,080)	-
Current portion of compensated absences	398,918	-	-	-	-	182,097	-	-	581,015
Current portion of long-term debt	-	2,330,000	-	-	-	-	-	-	2,330,000
Deposits	36,500	-	-	-	-	-	-	-	36,500
Total Current Liabilities	1,723,942	2,523,260	304,221	7,620	-	244,498	24,685	(634,080)	4,194,146
Long-Term Liabilities:									
Advances from other funds	4,615,000	-	1,339,760	-	-	-	-	(5,954,760)	-
Long-term debt, non-current portion	-	41,335,537	-	-	-	-	-	-	41,335,537
Landfill closure and post closure liability	-	-	-	-	-	-	-	-	-
Compensated absences	731,853	-	-	-	-	315,995	-	-	1,047,848
Derivative at fair value-liability	-	-	-	-	-	-	-	-	-
Net pension liability	12,024,412	-	-	-	-	4,817,931	-	-	16,842,343
Total Long-Term Liabilities	17,371,265	41,335,537	1,339,760	-	-	5,133,926	-	(5,954,760)	59,225,728
Total Liabilities	19,095,207	43,858,797	1,643,981	7,620	-	5,378,424	24,685	(6,588,840)	63,419,874
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows related to pensions	1,631,277	-	-	-	-	126,597	-	-	1,757,874
Total Deferred Outflows of Resources	1,631,277	-	-	-	-	126,597	-	-	1,757,874
NET POSITION									
Net investment in capital assets	355,453,716	60,766,961	17,468,063	5,114,875	-	872	-	-	438,804,487
Restricted for debt services	-	4,134,075	-	-	-	-	-	-	4,134,075
Unrestricted	4,376,278	49,183,595	9,327,843	961,758	7,784,170	(4,569,280)	139,395	-	67,203,759
Total Net Position (Deficit)	\$ 359,829,994	\$ 114,084,631	\$ 26,795,906	\$ 6,076,633	\$ 7,784,170	\$ (4,568,408)	\$ 139,395	\$ -	\$ 510,142,321



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017**

Wastewater Enterprise Fund					Solid Waste Enterprise Fund				
Operations	Construction	Rehabilitation	Rate Stabilization	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Total
\$ 19,120,177	\$ 4,677,435	\$ 30,404,763	\$ 4,189,668	\$ 58,392,043	\$ 17,263,674	\$ 2,925,910	\$ 2,474,599	\$ 1,570,996	\$ 24,235,179
-	-	-	-	-	-	-	-	-	-
3,147,107	2,526,573	116,895	-	5,790,575	2,675,472	140,630	-	-	2,816,102
72,169	3,785	119,437	15,694	211,085	69,645	10,400	11,092	6,139	97,276
42,932	-	-	-	42,932	6,001	-	-	-	6,001
-	-	-	-	-	-	-	-	-	-
127,578	-	-	-	127,578	36,173	-	-	-	36,173
<u>22,509,963</u>	<u>7,207,793</u>	<u>30,641,095</u>	<u>4,205,362</u>	<u>64,564,213</u>	<u>20,050,965</u>	<u>3,076,940</u>	<u>2,485,691</u>	<u>1,577,135</u>	<u>27,190,731</u>
-	77,176,911	-	-	77,176,911	-	-	-	-	-
5,550,188	9,148,662	8,550,667	-	23,249,517	486,229	-	14,882	-	501,111
<u>283,366,091</u>	<u>227,903,190</u>	<u>37,768,875</u>	<u>-</u>	<u>549,038,156</u>	<u>1,431,447</u>	<u>255,233</u>	<u>24,501</u>	<u>-</u>	<u>1,711,181</u>
288,916,279	314,228,763	46,319,542	-	649,464,584	1,917,676	255,233	39,383	-	2,212,292
<u>311,426,242</u>	<u>321,436,556</u>	<u>76,960,637</u>	<u>4,205,362</u>	<u>714,028,797</u>	<u>21,968,641</u>	<u>3,332,173</u>	<u>2,525,074</u>	<u>1,577,135</u>	<u>29,403,023</u>
-	-	-	-	-	-	-	-	-	-
-	4,570,757	-	-	4,570,757	-	-	-	-	-
<u>3,295,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,295,778</u>	<u>1,974,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,974,100</u>
<u>3,295,778</u>	<u>4,570,757</u>	<u>-</u>	<u>-</u>	<u>7,866,535</u>	<u>1,974,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,974,100</u>
610,367	-	435,026	-	1,045,393	679,154	-	11,320	-	690,474
291,079	2,569,050	357,478	-	3,217,607	216,709	-	-	-	216,709
-	4,511,036	-	-	4,511,036	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
535,513	-	-	-	535,513	244,414	-	-	-	244,414
-	2,635,965	-	-	2,635,965	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,436,959</u>	<u>9,716,051</u>	<u>792,504</u>	<u>-</u>	<u>11,945,514</u>	<u>1,140,277</u>	<u>-</u>	<u>11,320</u>	<u>-</u>	<u>1,151,597</u>
-	-	-	-	-	-	-	-	-	-
-	82,657,098	-	-	82,657,098	-	-	-	-	-
-	-	-	-	-	1,759,437	-	-	-	1,759,437
1,123,581	-	-	-	1,123,581	423,209	-	-	-	423,209
-	4,570,757	-	-	4,570,757	-	-	-	-	-
<u>18,353,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,353,050</u>	<u>10,207,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,207,481</u>
19,476,631	87,227,855	-	-	106,704,486	12,390,127	-	-	-	12,390,127
<u>20,913,590</u>	<u>96,943,906</u>	<u>792,504</u>	<u>-</u>	<u>118,650,000</u>	<u>13,530,404</u>	<u>-</u>	<u>11,320</u>	<u>-</u>	<u>13,541,724</u>
482,249	-	-	-	482,249	268,215	-	-	-	268,215
<u>482,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>482,249</u>	<u>268,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,215</u>
288,916,279	151,758,789	46,319,542	-	486,994,610	1,917,676	255,233	39,383	-	2,212,292
-	4,829,982	-	-	4,829,982	-	-	-	-	-
<u>4,409,902</u>	<u>72,474,636</u>	<u>29,848,591</u>	<u>4,205,362</u>	<u>110,938,491</u>	<u>8,226,446</u>	<u>3,076,940</u>	<u>2,474,371</u>	<u>1,577,135</u>	<u>15,354,892</u>
<u>\$ 293,326,181</u>	<u>\$ 229,063,407</u>	<u>\$ 76,168,133</u>	<u>\$ 4,205,362</u>	<u>\$ 602,763,083</u>	<u>\$ 10,144,122</u>	<u>\$ 3,332,173</u>	<u>\$ 2,513,754</u>	<u>\$ 1,577,135</u>	<u>\$ 17,567,184</u>



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Water Enterprise Fund								
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	Total
OPERATING REVENUES									
Charges for services	\$ 26,894,513	\$ 418,361	\$ -	\$ 2,119	\$ -	\$ 298,574	\$ 22,317	\$ -	\$ 27,635,884
Other	148,006	-	-	103,120	-	84,289	12,120	-	347,535
Total Operating Revenues	<u>27,042,519</u>	<u>418,361</u>	<u>-</u>	<u>105,239</u>	<u>-</u>	<u>382,863</u>	<u>34,437</u>	<u>-</u>	<u>27,983,419</u>
OPERATING EXPENSES									
Operations	11,694,289	378,648	167,405	95,385	-	2,303,718	618,653	-	15,258,098
Administration	2,861,652	-	-	-	-	85,255	625	-	2,947,532
Depreciation and amortization	7,886,318	1,413,118	219,658	472,025	-	2,093	-	-	9,993,212
Total Operating Expenses	<u>22,442,259</u>	<u>1,791,766</u>	<u>387,063</u>	<u>567,410</u>	<u>-</u>	<u>2,391,066</u>	<u>619,278</u>	<u>-</u>	<u>28,198,842</u>
Operating Income (Loss)	<u>4,600,260</u>	<u>(1,373,405)</u>	<u>(387,063)</u>	<u>(462,171)</u>	<u>-</u>	<u>(2,008,203)</u>	<u>(584,841)</u>	<u>-</u>	<u>(215,423)</u>
NONOPERATING REVENUES (EXPENSES)									
Interest and rents revenue	3,084	356,557	13,910	1,056	13,700	50	2,188	-	390,545
Interest and fiscal charges (expense)	(12,604)	(1,783,748)	(78,330)	-	-	-	-	-	(1,874,682)
Cost of issuance	-	-	-	-	-	-	-	-	-
Gain (loss) from sale of property	(1,475)	-	-	-	-	-	-	-	(1,475)
Subventions and grants	53,881	-	-	-	-	-	-	-	53,881
Increase (decrease) in SPWA reserves	-	-	-	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	<u>42,886</u>	<u>(1,427,191)</u>	<u>(64,420)</u>	<u>1,056</u>	<u>13,700</u>	<u>50</u>	<u>2,188</u>	<u>-</u>	<u>(1,431,731)</u>
Income (Loss) Before Contributions and Transfers	<u>4,643,146</u>	<u>(2,800,596)</u>	<u>(451,483)</u>	<u>(461,115)</u>	<u>13,700</u>	<u>(2,008,153)</u>	<u>(582,653)</u>	<u>-</u>	<u>(1,647,154)</u>
Capital contributions - connection/impact fees	-	8,610,781	-	105,390	-	-	-	-	8,716,171
Capital contributions from developers	14,029,811	197,987	14,881	-	-	-	-	-	14,242,679
Transfers in	3,474,712	68,784	4,146,748	-	1,150,000	2,458,764	693,787	(8,422,334)	3,570,461
Transfers (out)	(10,846,535)	(2,238,670)	(1,303,190)	(9,452)	(2,721)	(668,600)	(67,874)	8,422,334	(6,714,708)
Change in Net Position	<u>11,301,134</u>	<u>3,838,286</u>	<u>2,406,956</u>	<u>(365,177)</u>	<u>1,160,979</u>	<u>(217,989)</u>	<u>43,260</u>	<u>-</u>	<u>18,167,449</u>
Total net position (deficit)-beginning, as restated	<u>348,528,860</u>	<u>110,246,345</u>	<u>24,388,950</u>	<u>6,441,810</u>	<u>6,623,191</u>	<u>(4,350,419)</u>	<u>96,135</u>	<u>-</u>	<u>491,974,872</u>
Total net position (deficit)-ending	<u>\$ 359,829,994</u>	<u>\$ 114,084,631</u>	<u>\$ 26,795,906</u>	<u>\$ 6,076,633</u>	<u>\$ 7,784,170</u>	<u>\$ (4,568,408)</u>	<u>\$ 139,395</u>	<u>\$ -</u>	<u>\$ 510,142,321</u>



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Totals
\$ 34,468,059	\$ 2,457,151	\$ 2,035,804	\$ -	\$ -	\$ 38,961,014	\$ 22,407,794	\$ -	\$ -	\$ -	\$ -	\$ 22,407,794
39,929	-	47	-	-	39,976	703,703	-	-	-	-	703,703
<u>34,507,988</u>	<u>2,457,151</u>	<u>2,035,851</u>	<u>-</u>	<u>-</u>	<u>39,000,990</u>	<u>23,111,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,111,497</u>
19,790,101	(2,789,650)	1,448,561	-	-	18,449,012	17,157,705	81,447	198,827	-	-	17,437,979
521,622	-	-	-	-	521,622	745,431	-	-	-	-	745,431
6,018,343	6,354,825	586,005	-	-	12,959,173	99,002	12,956	12,092	-	-	124,050
26,330,066	3,565,175	2,034,566	-	-	31,929,807	18,002,138	94,403	210,919	-	-	18,307,460
<u>8,177,922</u>	<u>(1,108,024)</u>	<u>1,285</u>	<u>-</u>	<u>-</u>	<u>7,071,183</u>	<u>5,109,359</u>	<u>(94,403)</u>	<u>(210,919)</u>	<u>-</u>	<u>-</u>	<u>4,804,037</u>
26,713	(43)	27,429	3,274	-	57,373	20,134	2,815	2,926	1,640	-	27,515
-	(3,490,066)	-	-	-	(3,490,066)	-	-	-	-	-	-
-	(12,640)	-	-	-	(12,640)	-	-	-	-	-	-
-	-	-	-	-	-	70,876	-	-	-	-	70,876
-	(4,938,018)	-	-	-	(4,938,018)	-	-	-	-	-	-
<u>26,713</u>	<u>(8,440,767)</u>	<u>27,429</u>	<u>3,274</u>	<u>-</u>	<u>(8,383,351)</u>	<u>91,010</u>	<u>2,815</u>	<u>2,926</u>	<u>1,640</u>	<u>-</u>	<u>98,391</u>
8,204,635	(9,548,791)	28,714	3,274	-	(1,312,168)	5,200,369	(91,588)	(207,993)	1,640	-	4,902,428
-	13,190,174	506,050	-	-	13,696,224	-	691,473	-	-	-	691,473
9,056,602	1,114,728	129,949	-	-	10,301,279	-	-	40,851	-	-	40,851
2,986,014	-	7,803,861	975,000	(9,958,936)	1,805,939	-	-	448,520	200,000	(638,520)	10,000
<u>(13,439,160)</u>	<u>(1,247)</u>	<u>(3,458,056)</u>	<u>(2,165)</u>	<u>9,958,936</u>	<u>(6,941,692)</u>	<u>(4,706,056)</u>	<u>(4,420)</u>	<u>(401,358)</u>	<u>-</u>	<u>638,520</u>	<u>(4,473,314)</u>
6,808,091	4,754,864	5,010,518	976,109	-	17,549,582	494,313	595,465	(119,980)	201,640	-	1,171,438
<u>286,518,090</u>	<u>224,308,543</u>	<u>71,157,615</u>	<u>3,229,253</u>	<u>-</u>	<u>585,213,501</u>	<u>9,649,809</u>	<u>2,736,708</u>	<u>2,633,734</u>	<u>1,375,495</u>	<u>-</u>	<u>16,395,746</u>
<u>\$ 293,326,181</u>	<u>\$ 229,063,407</u>	<u>\$ 76,168,133</u>	<u>\$ 4,205,362</u>	<u>\$ -</u>	<u>\$ 602,763,083</u>	<u>\$ 10,144,122</u>	<u>\$ 3,332,173</u>	<u>\$ 2,513,754</u>	<u>\$ 1,577,135</u>	<u>\$ -</u>	<u>\$ 17,567,184</u>



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Water Enterprise Fund								
	Operations	Construction	Rehabilitation	Meter Retrofit	Rate Stabilization	Technical Services	Utility Exploration Center	Interfund Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	\$ 26,427,071	\$ (323,732)	\$ -	\$ (4,739)	\$ -	\$ 298,574	\$ 22,317	\$ -	\$ 26,419,491
Payments to suppliers	(4,917,121)	(365,045)	(186,115)	(87,771)	-	(2,300,995)	(614,450)	-	(8,471,497)
Payments to employees	(10,123,095)	(3,753)	-	1	-	(64,235)	(18,937)	-	(10,210,019)
Other receipts	148,006	-	-	103,120	-	84,289	12,120	-	347,535
Net Cash Provided (Used) by Operating Activities	11,534,861	(692,530)	(186,115)	10,611	-	(1,982,367)	(598,950)	-	8,085,510
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Subventions and grants	47,242	123,894	-	-	-	-	-	-	171,136
Payments to other funds	-	(390,930)	-	-	-	-	-	390,930	-
Receipts from other funds	385,000	-	5,930	-	-	-	-	(390,930)	-
Advances to other funds	-	(4,365,920)	(249,080)	-	-	-	-	4,615,000	-
Advances received from other funds	4,615,000	-	-	-	-	-	-	(4,615,000)	-
Transfers in	3,474,712	68,784	4,146,748	-	1,150,000	2,458,764	693,787	(8,422,334)	3,570,461
Transfers (out)	(10,846,535)	(2,238,670)	(1,303,190)	(9,452)	(2,721)	(668,600)	(67,874)	8,422,334	(6,714,708)
Cash Flows from (used for) Noncapital Financing Activities	(2,324,581)	(6,802,842)	2,600,408	(9,452)	1,147,279	1,790,164	625,913	-	(2,973,111)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(2,076,688)	(12,027,632)	(791,773)	-	-	638	-	-	(14,895,455)
Loss from sale of capital assets	(1,475)	-	-	-	-	-	-	-	(1,475)
Acquisition of restricted assets	-	(165,334)	-	-	-	-	-	-	(165,334)
Deferred charges on refunding	-	170,410	-	-	-	-	-	-	170,410
Payments and issuances of notes receivables	-	-	-	(81,703)	-	-	-	-	(81,703)
Issuance of costs	-	-	-	-	-	-	-	-	-
Principal paid on capital debt	-	(2,716,964)	-	-	-	-	-	-	(2,716,964)
Interest paid on capital debt	-	(1,796,352)	(78,330)	-	-	-	-	-	(1,874,682)
Capital contributions	-	22,853,460	-	105,390	-	-	-	-	22,958,850
Cash Flows from (used for) Capital and Related Financing Activities	(2,078,163)	6,317,588	(870,103)	23,687	-	638	-	-	3,393,647
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest received	(14,221)	223,665	(14,460)	(709)	(8,218)	(974)	2,071	-	187,154
Transfer of connection fees to SPWA	-	-	-	-	-	-	-	-	-
Cash Flows from Investing Activities	(14,221)	223,665	(14,460)	(709)	(8,218)	(974)	2,071	-	187,154
Net increase (decrease) in cash and cash equivalents	7,117,896	(954,119)	1,529,730	24,137	1,139,061	(192,539)	29,034	-	8,693,200
Cash and investments at beginning of period, as restated	10,316,381	35,684,276	9,397,825	828,092	6,615,055	347,520	134,767	-	63,323,916
Cash and investments at end of period	\$ 17,434,277	\$ 34,730,157	\$ 10,927,555	\$ 852,229	\$ 7,754,116	\$ 154,981	\$ 163,801	\$ -	\$ 72,017,116
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	\$ 4,600,260	\$ (1,373,405)	\$ (387,063)	\$ (462,171)	\$ -	\$ (2,008,203)	\$ (584,841)	\$ -	\$ (215,423)
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation and amortization	7,886,318	1,413,118	219,658	472,025	-	2,093	-	-	9,993,212
Inventories	(46,097)	-	-	-	-	-	-	-	(46,097)
Net pension obligations	(580,298)	-	-	-	-	163,093	-	-	(417,205)
Change in assets and liabilities:									
Receivables, net	(459,442)	(742,093)	-	(6,858)	-	-	-	-	(1,208,393)
Accounts and other payables	134,120	9,850	(18,710)	7,615	-	(139,350)	(14,109)	-	(20,584)
Unearned revenue	-	-	-	-	-	-	-	-	-
Net Cash provided by Operating Activities	\$ 11,534,861	\$ (692,530)	\$ (186,115)	\$ 10,611	\$ -	\$ (1,982,367)	\$ (598,950)	\$ -	\$ 8,085,510
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES									
Contributions of capital assets	\$ 14,029,811	\$ 197,987	\$ 14,881						\$ 14,242,679
Amortization of bond premium		\$ 461,964							\$ 461,964
Amortization of deferred amount on refunding		\$ (170,410)							\$ (170,410)



**CITY OF ROSEVILLE
ENVIRONMENTAL UTILITIES ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Wastewater Enterprise Fund						Solid Waste Enterprise Fund					
Operations	Construction	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total	Operations	Capital Purchase	Rehabilitation	Rate Stabilization	Interfund Eliminations	Total
\$ 34,504,707	\$ 1,562,536	\$ 1,994,569	\$ -	\$ -	\$ 38,061,812	\$ 22,367,556	\$ (45,714)	\$ -	\$ -	\$ -	\$ 22,321,842
(14,240,401)	2,789,650	(1,173,294)	-	-	(12,624,045)	(10,795,532)	(101,388)	(209,572)	-	-	(11,106,492)
(6,918,875)	963,719	54,882	-	-	(5,900,274)	(7,521,315)	-	-	-	-	(7,521,315)
39,929	-	47	-	-	39,976	703,703	-	-	-	-	703,703
<u>13,385,360</u>	<u>5,315,905</u>	<u>876,204</u>	<u>-</u>	<u>-</u>	<u>19,577,469</u>	<u>4,754,412</u>	<u>(147,102)</u>	<u>(209,572)</u>	<u>-</u>	<u>-</u>	<u>4,397,738</u>
675,967	-	-	-	-	675,967	64,875	-	-	-	-	64,875
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
2,986,014	-	7,803,861	975,000	(9,958,936)	1,805,939	-	-	448,520	200,000	(638,520)	10,000
(13,439,160)	(1,247)	(3,458,056)	(2,165)	9,958,936	(6,941,692)	(4,706,056)	(4,420)	(401,358)	-	638,520	(4,473,314)
<u>(9,777,179)</u>	<u>(1,247)</u>	<u>4,345,805</u>	<u>972,835</u>	<u>-</u>	<u>(4,459,786)</u>	<u>(4,641,181)</u>	<u>(4,420)</u>	<u>47,162</u>	<u>200,000</u>	<u>-</u>	<u>(4,398,439)</u>
(3,157,612)	(12,888,958)	(1,132,575)	-	-	(17,179,145)	1,420	(74,968)	20,732	-	-	(52,816)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(12,640)	-	-	-	(12,640)	-	-	-	-	-	-
-	(2,659,123)	-	-	-	(2,659,123)	-	-	-	-	-	-
-	(3,490,066)	-	-	-	(3,490,066)	-	-	-	-	-	-
-	26,999,996	506,050	-	-	27,506,046	-	732,324	-	-	-	732,324
<u>(3,157,612)</u>	<u>7,949,209</u>	<u>(626,525)</u>	<u>-</u>	<u>-</u>	<u>4,165,072</u>	<u>1,420</u>	<u>657,356</u>	<u>20,732</u>	<u>-</u>	<u>-</u>	<u>679,508</u>
(12,881)	(2,346)	(36,677)	(5,853)	-	(57,757)	(15,799)	(2,720)	(2,263)	(1,761)	-	(22,543)
-	(9,731,590)	-	-	-	(9,731,590)	-	-	-	-	-	-
<u>(12,881)</u>	<u>(9,733,936)</u>	<u>(36,677)</u>	<u>(5,853)</u>	<u>-</u>	<u>(9,789,347)</u>	<u>(15,799)</u>	<u>(2,720)</u>	<u>(2,263)</u>	<u>(1,761)</u>	<u>-</u>	<u>(22,543)</u>
437,688	3,529,931	4,558,807	966,982	-	9,493,408	98,852	503,114	(143,941)	198,239	-	656,264
18,682,489	1,147,504	25,845,956	3,222,686	-	48,898,635	17,164,822	2,422,796	2,618,540	1,372,757	-	23,578,915
<u>\$ 19,120,177</u>	<u>\$ 4,677,435</u>	<u>\$ 30,404,763</u>	<u>\$ 4,189,668</u>	<u>\$ -</u>	<u>\$ 58,392,043</u>	<u>\$ 17,263,674</u>	<u>\$ 2,925,910</u>	<u>\$ 2,474,599</u>	<u>\$ 1,570,996</u>	<u>\$ -</u>	<u>\$ 24,235,179</u>
\$ 8,177,922	\$ (1,108,024)	\$ 1,285	\$ -	\$ -	\$ 7,071,183	\$ 5,109,359	\$ (94,403)	\$ (210,919)	\$ -	\$ -	\$ 4,804,037
6,018,343	6,354,825	586,005	-	-	12,959,173	99,002	12,956	12,092	-	-	124,050
(54,589)	-	-	-	-	(54,589)	17,251	-	-	-	-	17,251
(214,629)	-	-	-	-	(214,629)	70,905	-	-	-	-	70,905
36,648	(894,615)	(41,235)	-	-	(899,202)	(4,898)	(45,714)	-	-	-	(50,612)
(578,335)	963,719	330,149	-	-	715,533	(501,867)	(19,941)	(10,745)	-	-	(532,553)
-	-	-	-	-	-	(35,340)	-	-	-	-	(35,340)
<u>\$ 13,385,360</u>	<u>\$ 5,315,905</u>	<u>\$ 876,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,577,469</u>	<u>\$ 4,754,412</u>	<u>\$ (147,102)</u>	<u>\$ (209,572)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,397,738</u>
<u>\$ 9,056,602</u>	<u>\$ 1,114,728</u>	<u>\$ 129,949</u>			<u>\$ 10,301,279</u>			<u>\$ 40,851</u>			<u>\$ 40,851</u>
	<u>\$ 201,973</u>				<u>\$ 201,973</u>						



VAVRINEK, TRINE, DAY & CO., LLP

Certified Public Accountants

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

To the Public Utilities Commission
Environmental Utilities Department
City of Roseville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Environmental Utilities Enterprise Funds (Funds) of the City of Roseville, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated December 22, 2017. Our report includes an emphasis of matter paragraph stating the Funds' financial statements do not purport to and do not, present fairly the financial position of the City as of June 30, 2017.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Vavinek, Trine, Day & Co LLP

Sacramento, California
December 22, 2017, 2017

