

**Agenda**  
**Rio Linda / Elverta Community Water District**  
**Finance / Administrative Committee**

Visitors/Depot Center  
6730 Front Street  
Rio Linda, CA 95673

February 11, 2019  
6:30 p.m.

Public documents relating to any open session items listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection on the counter of the District Office at the address listed above.

The public may address the Committee concerning any item of interest. Persons who wish to comment on either agenda or non-agenda items should fill out the Comment Card and give it to the General Manager. The Committee Chair will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability related modification or accommodation to participate in this meeting, then please contact the District office at (916) 991-1000. Requests must be made as early as possible and at least one full business day before the start of the meeting.

**Call to Order**

**Public Comment**

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

**Items for Discussion:**

1. Review and discuss the expenditures of the District for the month of January 2019.
2. Review and discuss the Financial Reports for the month of January 2019.
3. Discuss the proposed District policies revisions to establish a minimum threshold for outstanding balances below which the District will not initiate termination of service.
4. Discuss the need to re-establish the District's written financial policies/procedures.
5. Discuss the need to review conservation rebates program.
6. Review and discuss logistics for ACWA and ACWA JPIA (two separate assignments) spring conference in Monterey, CA.

**Directors' and General Manager Comments**

**Items Requested for Next Month's Committee Agenda**

- Discuss the need to review the fees for initiating service.

**Adjournment**

Next Finance / Administrative Committee meeting: Monday, March 11, 2019 at 6:30 p.m.

**ADA COMPLIANCE STATEMENT**

*In compliance with the Americans with Disabilities Act, if you need special assistance or materials to participate in this meeting, please contact the District Office at 916-991-1000. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting and agenda materials.*



## **Finance /Administrative Committee Agenda Item: 1**

**Date:** February 11, 2019

**Subject:** Expenditure Summary

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

It is recommended that the Finance / Administrative Committee approve the Expenditure Summary for the month of January 2019 and forward to the February 25, 2019 meeting of the Board.

### **Current Background and Justification:**

These expenditures were necessary and prudent for operation of the District and consistent with the policies and budget adopted by the Board of Directors. The Expenditure Summary provides the listing of expenditures which have occurred since the last regular meeting of the Board.

### **Conclusion:**

Consistent with the District policies, the Expenditure Summary is to be reviewed by the Finance/Administrative Committee and approved by the Board of Directors.

**Rio Linda Elverta Community Water District**  
**Other Accounts Expenditure Report**  
**January 2019**

| Type            | Date       | Num  | Name                                     | Memo  | Amount    |
|-----------------|------------|------|--|---|-----------|
| Liability Check | 01/03/2019 | EFT  | QuickBooks Payroll Service               | For PP Ending 12/31/2018 Paydate 01/04/2019 | 18,722.60 |
| Liability Check | 01/04/2019 | EFT  | CalPERS                                  | For PP Ending 12/31/2018 Paydate 01/04/2019 | 2,001.87  |
| Liability Check | 01/04/2019 | EFT  | CalPERS                                  | For PP Ending 12/31/2018 Paydate 01/04/2019 | 1,876.56  |
| Liability Check | 01/04/2019 | EFT  | California State Disbursement Unit       | Employee Garnishment                        | 397.50    |
| Liability Check | 01/04/2019 | EFT  | Nationwide                               | Employee Benefits                           | 1,241.61  |
| Bill Pmt -Check | 01/04/2019 | EFT  | Adept Solutions                          | Computer Maintenance                        | 1,109.00  |
| Bill Pmt -Check | 01/04/2019 | EFT  | Comcast                                  | Phone/Internet                              | 416.60    |
| Bill Pmt -Check | 01/04/2019 | EFT  | Republic Services                        | Utilities                                   | 87.36     |
| Bill Pmt -Check | 01/04/2019 | EFT  | Sprint                                   | Field Communication                         | 110.33    |
| Bill Pmt -Check | 01/04/2019 | EFT  | Voyager Fleet Commander                  | Transportation Fuel                         | 1,043.25  |
| Liability Check | 01/04/2019 | EFT  | Internal Revenue Service                 | Employment Taxes                            | 6,433.52  |
| Liability Check | 01/04/2019 | EFT  | Employment Development                   | Employment Taxes                            | 1,285.98  |
| Paycheck        | 01/04/2019 | 5750 | Employee                                 | For PP Ending 12/31/2018 Paydate 01/04/2019 | 92.35     |
| Liability Check | 01/04/2019 | 5751 | Franchise Tax Board                      | Employee Garnishment                        | 184.57    |
| Check           | 01/04/2019 | 5752 | RLECWWD                                  | Umpqua Bank Monthly Debt Service Transfer   | 16,500.00 |
| Check           | 01/04/2019 | 5753 | Community Business Bank                  | Meter Loan Payment                          | 29,256.96 |
| Check           | 01/04/2019 | 5754 | Customer                                 | Final Bill Refund                           | 185.33    |
| Bill Pmt -Check | 01/04/2019 | 5755 | ACWA/JPIA                                | Employee Benefits                           | 23.50     |
| Bill Pmt -Check | 01/04/2019 | 5756 | American Mobile Shredding                | Office Expense                              | 25.00     |
| Bill Pmt -Check | 01/04/2019 | 5757 | Buckmaster Office Solutions              | Office Equipment Expense                    | 195.19    |
| Bill Pmt -Check | 01/04/2019 | 5758 | Continental Utility Solutions            | Computer Maintenance                        | 1,500.00  |
| Bill Pmt -Check | 01/04/2019 | 5759 | Corix Water Products                     | Distribution Supplies                       | 1,548.37  |
| Bill Pmt -Check | 01/04/2019 | 5760 | Elk Grove Security Systems               | Security                                    | 84.00     |
| Bill Pmt -Check | 01/04/2019 | 5761 | O'Reilly Automotive                      | Contruction Equip Maintenance               | 16.14     |
| Bill Pmt -Check | 01/04/2019 | 5762 | Phelan, Michael                          | Retire Benefits: Lifetime                   | 3,150.00  |
| Bill Pmt -Check | 01/04/2019 | 5763 | Rio Linda Elverta Recreation & Park Dist | Meeting Expense                             | 50.00     |
| Bill Pmt -Check | 01/04/2019 | 5764 | Rio Linda Hardware and Building Supply   | Shop Supplies                               | 322.72    |
| Bill Pmt -Check | 01/04/2019 | 5765 | Sierra Chemical Company                  | Chemical Supplies                           | 811.80    |
| Bill Pmt -Check | 01/04/2019 | 5766 | SMUD                                     | Utilities                                   | 12,266.72 |
| Bill Pmt -Check | 01/04/2019 | 5767 | UniFirst Corporation                     | Uniforms                                    | 237.85    |
| Bill Pmt -Check | 01/04/2019 | 5768 | USA BlueBook                             | Shop Supplies                               | 516.52    |
| Liability Check | 01/17/2019 | EFT  | QuickBooks Payroll Service               | For PP Ending 01/15/19 Pay date 01/18/18    | 19,032.35 |
| Liability Check | 01/18/2019 | EFT  | CalPERS                                  | For PP Ending 01/15/19 Pay date 01/18/18    | 2,011.32  |
| Liability Check | 01/18/2019 | EFT  | CalPERS                                  | For PP Ending 01/15/19 Pay date 01/18/18    | 1,838.04  |
| Liability Check | 01/18/2019 | EFT  | AFLAC                                    | Employee Benefits                           | 651.04    |
| Liability Check | 01/18/2019 | EFT  | Internal Revenue Service                 | Employment Taxes                            | 6,635.92  |
| Liability Check | 01/18/2019 | EFT  | Employment Development                   | Employment Taxes                            | 1,371.52  |
| Liability Check | 01/18/2019 | EFT  | Employment Development                   | Employment Taxes                            | 86.34     |
| Liability Check | 01/18/2019 | EFT  | Nationwide                               | Employee Benefits                           | 1,253.07  |
| Liability Check | 01/18/2019 | EFT  | Kaiser Permanenete                       | Employee Benefits                           | 342.43    |
| Liability Check | 01/18/2019 | EFT  | Principal                                | Employee Benefits                           | 1,483.03  |
| Liability Check | 01/18/2019 | EFT  | Western Health Advantage                 | Employee Benefits                           | 11,988.85 |
| Bill Pmt -Check | 01/18/2019 | EFT  | WageWorks                                | Employee Benefits                           | 966.93    |
| Bill Pmt -Check | 01/18/2019 | EFT  | WageWorks                                | FSA Administration Fee                      | 50.00     |

**Rio Linda Elverta Community Water District  
Other Accounts Expenditure Report  
January 2019**

| Type  | Date       | Num  | Name                               | Memo   | Amount                   |
|---|------------|------|------------------------------------|--|--------------------------|
| Liability Check                               | 01/18/2019 | EFT  | California State Disbursement Unit | Employee Garnishment                                       | 397.50                   |
| Check   | 01/18/2019 | EFT  | RLECWD - Capital Improvement       | Current Monthly Transfer                                   | 42,000.00                |
| Check   | 01/18/2019 | EFT  | RLECWD - SURCHARGE ACCOUNT 1       | Current Monthly Transfer                                   | 42,500.00                |
| Check   | 01/18/2019 | EFT  | RLECWD - Operating                 | Transfer funds for Security Deposits paid with Credit Card | 1,200.00                 |
| Bill Pmt -Check                               | 01/18/2019 | EFT  | Bankcard Center 2911               | Computer, Office, Postage, Fees                            | 670.85                   |
| Bill Pmt -Check                               | 01/18/2019 | EFT  | Bankcard Center 7806               | Office, Meetings   | 129.24                   |
| Bill Pmt -Check                               | 01/18/2019 | EFT  | Verizon                            | Field Communication, Field IT                              | 1,040.72                 |
| Liability Check                               | 01/18/2019 | 5769 | Teamsters Local #150               | Union Dues   | 664.00                   |
| Check   | 01/18/2019 | 5770 | Customer                           | Final Bill Overpayment Refund                              | 18.11                    |
| Check   | 01/18/2019 | 5771 | Customer                           | Final Bill Overpayment Refund                              | 58.00                    |
| Check   | 01/18/2019 | 5772 | Customer                           | Final Bill Overpayment Refund                              | 69.21                    |
| Check   | 01/18/2019 | 5773 | Postmaster                         | Bulk Mail Permit Refill                                    | 2,250.61                 |
| Check   | 01/18/2019 | 5774 | Sacramento County Recorder         | Lien Fees  | 56.00                    |
| Bill Pmt -Check                               | 01/18/2019 | 5775 | BSK Associates                     | Lab Fees   | 2,505.00                 |
| Bill Pmt -Check                               | 01/18/2019 | 5776 | Churchwell White LLP               | Legal Fees   | 2,216.30                 |
| Bill Pmt -Check                               | 01/18/2019 | 5777 | CoreLogic Solutions                | Metro Scan   | 134.75                   |
| Bill Pmt -Check                               | 01/18/2019 | 5778 | PG&E                               | Utilities  | 116.48                   |
| Bill Pmt -Check                               | 01/18/2019 | 5779 | Quill Corporation                  | Office Expense   | 98.74                    |
| Bill Pmt -Check                               | 01/18/2019 | 5780 | Sacramento County Utilities        | Utilities  | 113.70                   |
| Bill Pmt -Check                               | 01/18/2019 | 5781 | Spok, Inc.                         | Field Communication  | 15.19                    |
| Bill Pmt -Check                               | 01/18/2019 | 5782 | Thrasher Bros Automotive           | Transportation Maintenance                                 | 3,102.97                 |
| Bill Pmt -Check                               | 01/18/2019 | 5783 | BEC Appraisal & Consulting, Inc.   | Capital Improvement: Well 16                               | 1,400.00                 |
| Bill Pmt -Check                               | 01/28/2019 | EFT  | WageWorks                          | Employee Benefits  | 15.00                    |
| <b>Total 10000 - Bank - Operating Account</b> |            |      |                                    |  | <b><u>250,176.41</u></b> |

**Rio Linda Elverta Community Water District  
Other Accounts Expenditure Report  
January 2019**

**10100 · Security Deposits**

| <b>Type</b> | <b>Date</b> | <b>Num</b> | <b>Payee</b>               | <b>Memo</b>                             | <b>Amount</b> |
|-------------|-------------|------------|----------------------------|---|---------------|
| Transfer    | 01/18/2019  | EFT        | RLECWD - Operating Account | December 2018 Security Deposits Applied | 400.00        |

**10100 · Security Deposits**

**400.00**

| <b>Type</b> | <b>Date</b> | <b>Num</b> | <b>Payee</b>                        | <b>Memo</b>   | <b>Amount</b> |
|-------------|-------------|------------|-------------------------------------|---|---------------|
| Check       | 01/02/2019  | EFT        | State Water Resources Control Board | Safe Drinking Water State Revolving Fund Loan Payment | 230,677.32    |

**10300 · Surcharge Account**

**230,677.32**

| <b>Type</b> | <b>Date</b> | <b>Num</b> | <b>Payee</b>       | <b>Memo</b>                               | <b>Amount</b> |
|-------------|-------------|------------|--------------------|---|---------------|
| Transfer    | 01/19/2018  | EFT        | RLECWD - Operating | Transfer see operating checks number 5783 | 1,400.00      |

**10455 · Capital Improvement Reserve**

**1,400.00**



## **Finance /Administrative Committee Agenda Item: 2**

**Date:** February 11, 2019

**Subject:** Financial Reports

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

It is recommended that the Finance / Administrative Committee review the Finance Reports of the District for the month of January 2019.

### **Current Background and Justification:**

The financial reports are the District's balance sheet, profit and loss, and capital improvements year to date. This report provides the snapshot of the District's fiscal health for the period covered.

### **Conclusion:**

Consistent with District policies, these financials are to be reviewed by this committee and presented to the Board of Directors to inform them of the District's current financial situation.

**Rio Linda Elverta Community Water District**  
**Balance Sheet**  
 As of January 31, 2019

**ASSETS**

**Current Assets**

**Checking/Savings**

**100 · Cash & Cash Equivalents**

**10000 · Operating Account**

10005 · Operating Fund 297,864.25

10010 · Operating Reserve Fund 250,000.00

**Total 10000 · Operating Account 547,864.25**

**10100 · Trust/Security Deposit Account 44,722.00**

**10450 · Capital Improvement**

10455 · Capital Improvement Fee Reserve 894,287.16

10460 · Vehicle Replacement Reserve 10,000.00

10465 · Cr6 Project 11,026.90

**Total 10450 · Capital Improvement 915,314.06**

**10600 · LAIF GASB 45 16,253.79**

**Total 100 · Cash & Cash Equivalents 1,524,154.10**

**102 · Restricted Assets**

**102.1 · Restricted Capital Improvements**

10700 · ZIONS Inv/Surcharge Reserve 496,314.17

**Total 102.1 · Restricted Capital Improvements 496,314.17**

**102.2 · Restricted for Debt Service**

10300 · Surcharge 1 Account 567,264.07

10325 · Community Business Bank 83,266.61

10350 · Umpqua Bank 69,965.46

10350 · Surcharge 2 Account 489,672.17

**Total 102.2 · Restricted for Debt Service 1,210,168.31**

**Total 102 · Restricted Assets 1,706,482.48**

**Total Checking/Savings 3,230,636.58**

**Accounts Receivable 487.50**

**Other Current Assets**

12000 · Water Utility Receivable 527,304.96

12200 · Accrued Revenue 0.00

12250 · Accrued Interest Receivable 1,662.64

15000 · Inventory Asset 95,018.40

16000 · Prepaid Expense 61,508.84

**Total Other Current Assets 685,494.84**

**Total Current Assets 3,916,618.92**

**Fixed Assets**

17000 · General Plant Assets 712,766.63

17100 · Water System Facilites 20,717,058.49

17300 · Intangible Assets 373,043.42

17500 · Accum Depreciation & Amort -8,702,559.39

18000 · Construction in Progress 1,250,105.87

18100 · Land 496,673.45

**Total Fixed Assets 14,847,088.47**

**Other Assets**

19000 · Deferred Outflows 347,606.00

19900 · Suspense Account 0.00

**Total Other Assets 347,606.00**

**TOTAL ASSETS 19,111,313.39**

**Rio Linda Elverta Community Water District**  
**Balance Sheet**  
 As of January 31, 2019

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

|                           |            |
|---------------------------|------------|
| Accounts Payable          | 61,468.17  |
| Credit Cards              | 1,866.96   |
| Other Current Liabilities | 618,323.32 |

|                                  |                   |
|----------------------------------|-------------------|
| <b>Total Current Liabilities</b> | <b>681,658.45</b> |
|----------------------------------|-------------------|

**Long Term Liabilities**

|                                  |              |
|----------------------------------|--------------|
| 23000 · OPEB Liability           | 262,349.00   |
| 23500 · Lease Buy-Back           | 755,052.27   |
| 25000 · Surcharge 1 Loan         | 4,536,774.26 |
| 25050 · Surcharge 2 Loan         | 9,140.82     |
| 26000 · Water Rev Refunding      | 2,091,606.00 |
| 27000 · Community Business Bank  | 342,485.52   |
| 29000 · Net Pension Liability    | 1,033,555.00 |
| 29500 · Deferred Inflows-Pension | 33,279.00    |
| 29600 · Deferred Inflows-OPEB    | 8,293.00     |

|                                    |                     |
|------------------------------------|---------------------|
| <b>Total Long Term Liabilities</b> | <b>9,072,534.87</b> |
|------------------------------------|---------------------|

|                          |                     |
|--------------------------|---------------------|
| <b>Total Liabilities</b> | <b>9,754,193.32</b> |
|--------------------------|---------------------|

**Equity**

|   |              |
|---|--------------|
| 31500 · Invested in Capital Assets, Net | 7,519,910.46 |
| 32000 · Restricted for Debt Service     | 699,786.24   |
| 38000 · Unrestricted Equity             | 642,702.76   |
| Net Income                              | 494,720.61   |

|                     |                     |
|---------------------|---------------------|
| <b>Total Equity</b> | <b>9,357,120.07</b> |
|---------------------|---------------------|

|                                       |                      |
|---------------------------------------|----------------------|
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>19,111,313.39</b> |
|---------------------------------------|----------------------|



**Rio Linda Elverta Community Water District**  
**Operating Profit & Loss Budget Performance**  
 January 2019

|  | <u>Annual Budget</u>     | <u>Jan 19</u>           | <u>Jul 18-Jan 19</u>     | <u>% of Annual Budget</u> | <u>YTD Annual Budget Balance</u> |
|--|--------------------------|-------------------------|--------------------------|---------------------------|----------------------------------|
| <b>Ordinary Income/Expense</b>                 |                          |                         |                          |                           |                                  |
| <b>Income</b>                                  |                          |                         |                          |                           |                                  |
| <b>Total 40000 · Operating Revenue</b>         | 2,664,429.00             | 231,939.66              | 1,549,974.59             | 58.17%                    | 1,114,454.41                     |
| <b>41000 · Nonoperating Revenue</b>            |                          |                         |                          |                           |                                  |
| <b>41110 · Investment Revenue</b>              |                          |                         |                          |                           |                                  |
| <b>41112 · Interest Revenue</b>                | 400.00                   | 117.32                  | 309.90                   | 77.48%                    | 90.10                            |
| <b>Total 41110 · Investment Revenue</b>        | 400.00                   | 117.32                  | 309.90                   | 77.48%                    | 90.10                            |
| <b>41120 · Property Tax</b>                    | 70,000.00                | 0.00                    | 2,656.55                 | 3.80%                     | 67,343.45                        |
| <b>Total 41000 · Nonoperating Revenue</b>      | 70,400.00                | 117.32                  | 2,966.45                 | 4.21%                     | 67,433.55                        |
| <b>Total Income</b>                            | <u>2,734,829.00</u>      | <u>232,056.98</u>       | <u>1,552,941.04</u>      | <u>56.78%</u>             | <u>1,181,887.96</u>              |
| <b>Gross Income</b>                            | 2,734,829.00             | 232,056.98              | 1,552,941.04             | 56.78%                    | 1,181,887.96                     |
| <b>Expense</b>                                 |                          |                         |                          |                           |                                  |
| <b>60000 · Operating Expenses</b>              |                          |                         |                          |                           |                                  |
| <b>60010 · Professional Fees</b>               | 165,979.00               | 2,216.30                | 88,267.70                | 53.18%                    | 77,711.30                        |
| <b>60100 · Personnel Services</b>              |                          |                         |                          |                           |                                  |
| <b>60110 · Salaries &amp; Wages</b>            | 663,114.00               | 56,251.59               | 350,236.78               | 52.82%                    | 312,877.22                       |
| <b>60150 · Employee Benefits &amp; Expense</b> | 408,099.00               | 34,785.02               | 230,288.19               | 56.43%                    | 177,810.81                       |
| <b>Total 60100 · Personnel Services</b>        | <u>1,071,213.00</u>      | <u>91,036.61</u>        | <u>580,524.97</u>        | <u>54.19%</u>             | <u>490,688.03</u>                |
| <b>60200 · Administration</b>                  | 257,595.00               | 31,208.09               | 174,058.42               | 67.57%                    | 83,536.58                        |
| <b>64000 · Conservation</b>                    | 6,748.00                 | 0.00                    | 5,733.00                 | 84.96%                    | 1,015.00                         |
| <b>65000 · Field Operations</b>                | 423,809.00               | 39,762.99               | 221,879.91               | 52.35%                    | 201,929.09                       |
| <b>Total 60000 · Operating Expenses</b>        | 1,925,344.00             | 164,223.99              | 1,070,464.00             | 55.60%                    | 854,880.00                       |
| <b>69000 · Non-Operating Expenses</b>          |                          |                         |                          |                           |                                  |
| <b>69010 · Debt Service</b>                    |                          |                         |                          |                           |                                  |
| <b>69100 · Revenue Bond</b>                    |                          |                         |                          |                           |                                  |
| <b>69105 · Principle</b>                       | 133,163.00               | 0.00                    | 53,163.00                | 39.92%                    | 80,000.00                        |
| <b>69110 · Interest</b>                        | 65,726.00                | 0.00                    | 33,260.30                | 50.60%                    | 32,465.70                        |
| <b>Total 69100 · Revenue Bond</b>              | <u>198,889.00</u>        | <u>0.00</u>             | <u>86,423.30</u>         | <u>43.45%</u>             | <u>112,465.70</u>                |
| <b>69125 · AMI Meter Loan</b>                  |                          |                         |                          |                           |                                  |
| <b>69130 · Principle</b>                       | 46,818.00                | 23,589.04               | 46,818.03                | 100.00%                   | -0.03                            |
| <b>69135 · Interest</b>                        | 11,696.00                | 5,667.92                | 11,695.89                | 100.00%                   | 0.11                             |
| <b>Total 69125 · AMI Meter Loan</b>            | <u>58,514.00</u>         | <u>29,256.96</u>        | <u>58,513.92</u>         | <u>100.00%</u>            | <u>0.08</u>                      |
| <b>Total 69010 · Debt Service</b>              | <u>257,403.00</u>        | <u>29,256.96</u>        | <u>144,937.22</u>        | <u>56.31%</u>             | <u>112,465.78</u>                |
| <b>69400 · Other Non-Operating Expense</b>     | 2,000.00                 | 0.00                    | 0.00                     | 0.00%                     | 2,000.00                         |
| <b>Total 69000 · Non-Operating Expenses</b>    | <u>259,403.00</u>        | <u>29,256.96</u>        | <u>144,937.22</u>        | <u>55.87%</u>             | <u>114,465.78</u>                |
| <b>Total Expense</b>                           | <u>2,184,747.00</u>      | <u>193,480.95</u>       | <u>1,215,401.22</u>      | <u>55.63%</u>             | <u>969,345.78</u>                |
| <b>Net Ordinary Income</b>                     | <u>550,082.00</u>        | <u>38,576.03</u>        | <u>337,539.82</u>        |                           |                                  |
| <b>Net Income</b>                              | <u><u>550,082.00</u></u> | <u><u>38,576.03</u></u> | <u><u>337,539.82</u></u> |                           |                                  |

CAPITAL BUDGET VS ACTUAL FISCAL YEAR 2018-2019  
July 2018 through January 2019

|   | GENERAL                |                        | CONNECTIONS          |                      | CHROMIUM MITIGATION & NEW WELLS |                        | VEHICLE REPLACEMENT |                     |
|---|------------------------|------------------------|----------------------|----------------------|---------------------------------|------------------------|---------------------|---------------------|
|   | Annual Budget          | YTD Actual             | Annual Budget        | YTD Actual           | Annual Budget                   | YTD Actual             | Annual Budget       | YTD Actual          |
| <b>BEGINNING FUND BALANCE</b>                 | <b>\$ 1,426,064.00</b> | <b>\$ 1,426,064.00</b> | <b>\$ 129,988.00</b> | <b>\$ 129,988.00</b> | <b>\$ (454,317.00)</b>          | <b>\$ (454,317.00)</b> | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>FUNDING SOURCES</b>                        |                        |                        |                      |                      |                                 |                        |                     |                     |
| Fund Transfers                                |                        |                        |                      |                      |                                 |                        |                     |                     |
| Operating Fund Transfers In                   | 550,000.00             | 292,000.00             | -                    | -                    | -                               | -                      | -                   | -                   |
| CIP Fund Intrafund Transfers                  | (10,000.00)            | (10,000.00)            | -                    | -                    | -                               | -                      | 10,000.00           | 10,000.00           |
| Surcharge 2 Surplus Repayment                 | -                      | -                      | -                    | -                    | 435,752.00                      | -                      | -                   | -                   |
| Contributed Funding                           |                        |                        |                      |                      |                                 |                        |                     |                     |
| Capacity Fee Revenue                          | -                      | -                      | 40,000.00            | 28,124.02            | -                               | -                      | -                   | -                   |
| Contributed Facilities (Developers)           | -                      | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| Grant Revenue                                 | -                      | -                      | -                    | -                    | 20,000.00                       | -                      | -                   | -                   |
| Loan Proceeds                                 | 35,212.00              | -                      | 18,055.00            | -                    | 2,468,239.00                    | -                      | 30,000.00           | -                   |
| Investment Revenue                            | 350.00                 | 392.08                 | -                    | -                    | -                               | -                      | -                   | -                   |
| Sale of Fixed Assets                          | -                      | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| <b>TOTAL FUNDS AVAILABLE FOR CIP PROJECTS</b> | <b>2,001,626.00</b>    | <b>1,708,456.08</b>    | <b>188,043.00</b>    | <b>158,112.02</b>    | <b>2,469,674.00</b>             | <b>(454,317.00)</b>    | <b>40,000.00</b>    | <b>10,000.00</b>    |
| <b>PROJECTS</b>                               |                        |                        |                      |                      |                                 |                        |                     |                     |
| <b>A - WATER SUPPLY</b>                       |                        |                        |                      |                      |                                 |                        |                     |                     |
| A-1 · Well 10 - Cr6 Treatment                 | -                      | -                      | -                    | -                    | 40,000.00                       | -                      | -                   | -                   |
| A-2 · Well 16                                 | -                      | -                      | -                    | -                    | 2,448,239.00                    | 2,800.00               | -                   | -                   |
| A-3 · Well 17                                 | 28,000.00              | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| A-4 · Miscellaneous Pump Replacements         | 40,000.00              | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| <b>Total A - WATER SUPPLY</b>                 | <b>68,000.00</b>       | <b>-</b>               | <b>-</b>             | <b>-</b>             | <b>2,488,239.00</b>             | <b>2,800.00</b>        | <b>-</b>            | <b>-</b>            |
| <b>B - WATER DISTRIBUTION</b>                 |                        |                        |                      |                      |                                 |                        |                     |                     |
| B-1 · System Valve Replacements               | 30,000.00              | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| B-2 · Paving Replacements                     | 25,000.00              | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| B-3 · Service Replacements                    | 35,000.00              | 29,609.50              | -                    | -                    | -                               | -                      | -                   | -                   |
| B-4 · Large Meter Replacements                | 5,000.00               | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| <b>Total B - WATER DISTRIBUTION</b>           | <b>95,000.00</b>       | <b>29,609.50</b>       | <b>-</b>             | <b>-</b>             | <b>-</b>                        | <b>-</b>               | <b>-</b>            | <b>-</b>            |
| <b>M - GENERAL PLANT ASSETS</b>               |                        |                        |                      |                      |                                 |                        |                     |                     |
| M-1 · Ice Machine                             | 2,804.00               | 2,803.96               | -                    | -                    | -                               | -                      | -                   | -                   |
| M-2 · Billing Software Upgrade                | 25,000.00              | 25,000.00              | 18,055.00            | 13,759.50            | -                               | -                      | -                   | -                   |
| M-3 · Office Furniture & Equipment            | 10,212.00              | -                      | -                    | -                    | -                               | -                      | -                   | -                   |
| M-4 · Truck                                   | -                      | -                      | -                    | -                    | -                               | -                      | 30,000.00           | -                   |
| <b>Total M - GENERAL PLANT ASSETS</b>         | <b>38,016.00</b>       | <b>27,803.96</b>       | <b>18,055.00</b>     | <b>13,759.50</b>     | <b>-</b>                        | <b>-</b>               | <b>30,000.00</b>    | <b>-</b>            |
| <b>C - CONTINGENCY</b>                        |                        |                        |                      |                      |                                 |                        |                     |                     |
| C-1 · Contingency (10% of Est A,B,M, & FO)    | 20,101.60              | -                      | 1,805.50             | -                    | 248,823.90                      | -                      | 3,000.00            | -                   |
| <b>TOTAL BUDGETED PROJECT EXPENDITURES</b>    | <b>221,117.60</b>      | <b>57,413.46</b>       | <b>19,860.50</b>     | <b>13,759.50</b>     | <b>2,737,062.90</b>             | <b>2,800.00</b>        | <b>33,000.00</b>    | <b>-</b>            |
| <b>ENDING FUND BALANCE</b>                    | <b>\$ 1,780,508.40</b> | <b>\$ 1,651,042.62</b> | <b>\$ 168,182.50</b> | <b>\$ 144,352.52</b> | <b>\$ (267,388.90)</b>          | <b>\$ (457,117.00)</b> | <b>\$ 7,000.00</b>  | <b>\$ 10,000.00</b> |



## **Finance /Administrative Committee**

### **Agenda Item: 3**

**Date:** February 11, 2019

**Subject:** Revise Policy on Termination of Service (4.31.285) and Delete Policy 4.07.725

**Staff Contact:** Timothy R. Shaw, General Manager

#### **Recommended Committee Action:**

The Finance / Administrative Committee should review the documents associated with this item and forward the item(s) to the February 25<sup>th</sup> Board agenda with a recommendation for Board approval.

#### **Current Background and Justification:**

The January Finance/Admin Committee discussed the need for revising the District's policy on termination of service. The Committee directed staff to draft specific policy language and bring the revised policy to the subsequent Finance/Admin Committee meeting.

While reviewing the relevant sections of the current District Policy Manual for the most appropriate and compatible revision point, I also became aware of an inappropriate policy in the same section of the Manual. Policy 4.07.725 is inappropriate. The District adopted 4.07.725 in September 2014. Subsequently, in June 2016, the District was formally advised by Legal Counsel that 4.07.725 is inappropriate and should be deleted. I have also corresponded with Legal Counsel (Kerry Fuller) to confirm the policy should be deleted.

As discussed in January, staff has established a practice (albeit not approved by the Board, not codified in any District written policy, and based on a false premise) of precluding the District's service termination process for any outstanding balance of less than \$50. As we review and revise the District's service policies, including termination of service in preparation for

compliance with SB-998, it is incumbent to start from a solid foundation. Accordingly, the above described practice, which is not supported by written policy/procedure needs to be refined.

Although it may not be justifiable and/or defensible to preclude the termination of service process for outstanding balance of less than \$50, there is justification for establishing a threshold below which the service termination process should be precluded. For example; it is not an appropriate expenditure of District resources to initiate service termination for an outstanding balance of \$0.01. I believe establishing a reasonable threshold based on the prudent expenditure of resources and the context of the fees imposed for termination of service, (\$40 charge plus notices etc.) is necessary. I recommend the Board establish the threshold at \$10, i.e. the District will not initiate termination of service process unless the outstanding balance is at least \$10.

**Conclusion:**

I recommend the two policy revisions (4.07.725 and 4.31.285) be forwarded to the February 25<sup>th</sup> agenda with Finance/Admin Committee recommendation for Board adoption.

**Tim Shaw**

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**Subject:** FW: Outstanding Charges

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**From:** Mustafa Hessabi [<mailto:mustafa@churchwellwhite.com>]  
**Sent:** Thursday, June 30, 2016 10:15 AM  
**To:** Ralph Felix <[RFelix@rlecwd.com](mailto:RFelix@rlecwd.com)>; Renita Lehman <[RLehman@rlecwd.com](mailto:RLehman@rlecwd.com)>  
**Cc:** Barbara Brenner <[Barbara@churchwellwhite.com](mailto:Barbara@churchwellwhite.com)>; Robin Baral <[robin@churchwellwhite.com](mailto:robin@churchwellwhite.com)>  
**Subject:** Outstanding Charges

Good Morning,

Please see the summary analysis below regarding outstanding charges paid after property transfer. We are preparing a comprehensive memorandum to follow with recommendations on amendments to the CWD lien procedure, notifications, and collections process.

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The new property owner did not take ownership subject to the delinquent charges owed on the property for water service because a lien was not perfected against the property on the County tax roll prior to the new owner's purchase of the property at a foreclosure sale. The facts indicate that the new owner purchased the property at a foreclosure sale prior to a lien being effected against the property. Upon application to receive water service, the new owner was informed of the delinquent charges incurred by the previous owner and paid the charges under protest in order to establish service. The owner has since sought the return of the funds paid under protest.

Some water districts have adopted a regulation similar to Rio Linda-Elverta Community Water District ("CWD") Title 4, Chapter 4.01, **Section 4.07.725**, which makes a landowner who acquires real property responsible for paying outstanding charges regardless of the time or manner incurred and which also permits the district to refuse service until the outstanding charges are paid. (See Sacramento Suburban Water District Regulation No. 5, Section K). However, it appears that this type of provision may be **difficult to enforce** and defend in court because it could be viewed as part of an **"unconscionable contract"** that the water user was compelled to enter in order to receive service.

The California Water Code grants the CWD general authority to establish rules and regulations for the sale, distribution, and use of water and CWD may provide that water shall not be furnished to persons against whom delinquent water rates apply. (Water Code § 31024). Notably, when it comes to tenant (not owner) water use, CWD may not recover charges or penalties for furnishing water from any subsequent tenant on account of nonpayment by the previous tenant, although CWD may require that the service to the new tenant be furnished on the account of the landlord or property owner. (Water Code § 31007.5).

Receiving an application from a new water user does not represent a commitment or agreement by CWD to serve water. (CWD Regs. § 4.07.011). However, the process for recovering delinquent water charges for a property is detailed in the California Public Utilities Code and Water Code, and generally requires a district to obtain a lien for the delinquent charges prior to the transfer of ownership of the property. CWD may require by resolution or ordinance that delinquent water charges constitute a lien on the property, to the extent that the property is owned by the person or entity receiving the service, and CWD may record a certificate with the County indicating the unpaid debt. (Pub. Util. Code § 16472.1; Water Code § 31701.7). The certificate remains in effect until the unpaid amount is paid or the property is sold to satisfy the debt.

There is no statutory authority directly on point which grants CWD the authority to compel payment or withhold service from a new property owner based on delinquent charges incurred by a previous owner. Moreover, compelling a water user to abide by such a policy as a condition of receiving water service may be against public policy and unenforceable as a result. A court may find that forcibly requiring a new water user to pay delinquent charges amounts to an “unconscionable” contract. Under California law, unconscionability focuses on a procedural element and a substantive element. The procedural element generally focuses on oppression, which may arise from an inequality of bargaining power which results in no meaningful choice for a party, or contract terms which are unreasonably favorable to a party. The substantive element generally focuses on terms that “shock the conscience” or at least may be described as harsh or oppressive.

A court may find that requiring the new property owner to execute an application for service that requires them to pay the delinquent charges incurred by a previous owner as a condition of receiving water service, without having previous notice of the delinquent charges before they purchased the property (via a lien applied at the County), amounts to unequal bargaining power with no meaningful choice but for the new property owner to pay the delinquent charges in order to receive service. In addition, given the fact that CWD did not have a lien in place prior to the purchase of the property at foreclosure, an application for service that requires the new owner to pay for the prior owner’s delinquent charges without prior notice of the delinquent charges may be construed as harsh or oppressive.

Therefore, under the current scenario, CWD Regulation Section 4.07.725 (“Payment of Outstanding Water Service Charges Upon Property Transfer”) may not be enforceable against the new property owner. CWD should take steps to ensure that it is strictly adhering to the delinquency noticing and lien application process in a timely manner in order to make certain that it can recover future delinquent charges.

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Please let me know if you have any questions or would like any additional clarification.

Thanks,  
Mustafa

**Churchwell White** LLP

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**4.07.725 Payment of Outstanding Water Service Charges Upon Property Transfer** *(approved at the September 15, 2014 meeting of the Board)*

Consistent with the legal principles set forth in the preface of this section, a Landowner who acquires real property in the District is responsible for paying any outstanding District fees and charges owing on the acquired Parcel regardless of the time or manner in which those charges were incurred. The District reserves the right to refuse to open an account and to provide water service to a Parcel until the acquiring Landowner pays all outstanding fees and charges. It will be the acquiring Landowner's sole responsibility to pursue any legal remedies it may have to seek reimbursement of such outstanding fees and charges from any former Landowner or occupant of the acquired Parcel.

**4.31.285 Service Discontinuation.** Unless the arrears is cured or an Occupant of the service who is not the property owner applies to become a customer of the District, ten (10) days following the mailing of late notices, the District may discontinue water service for delinquent charges which remain unpaid. A written notice shall be served at the property of the water service forty-eight (48) hours prior to discontinuation of service. A notification charge may be applied. The District shall not be obligated to serve the 48-hour notice person-to-person; rather, placement of the notice shall be in a conspicuous area such as a door, fence, or any area determined to be most accessible and safe by the District representative. The District shall not be obligated to adjust notification time or other procedures due to consumers absence for any reason and consequential delay of receipt of such notice. Notice at the property shall be deemed sufficient to permit service termination for non-payment regardless of who occupies the property. Following the 48-hour period, service may be terminated for non-payment and a discontinuation charge shall be applied. Service may be reinstated pursuant to Section 4.07.710 following payment of delinquent charges.

Notwithstanding the foregoing, outstanding account balances which are significantly less than the fees charged for service termination may be considered relatively de minimis. The District is committed to efficient and effective allocation of resources. Initiating the service termination process and the fees and charges therein may be unreasonable if the outstanding balance is de minimis. Therefore, the District will not initiate the service termination process for any outstanding balance of less than ten dollars (\$10).



## **Finance /Administrative Committee**

### **Agenda Item: 4**

**Date:** February 11, 2019

**Subject:** Re-establish District Financial Policies/Procedures

**Staff Contact:** Timothy R. Shaw, General Manager

#### **Recommended Committee Action:**

The Finance / Administrative Committee should review the documents associated with this item and provide direction to staff on the preferred means for re-establishing the District's financial policies/procedures.

#### **Current Background and Justification:**

The absence of written finance policies/procedure eventually led to a variety of negative consequences. A summary of those consequences is included with the committee packets as excerpts from the independent audit report considered by the Board in July 2012. In response to the audit findings, which were substantive and daunting, The Board adopted Resolution 2012-12 (also included in the committee packets).

Subsequent to adoption of Resolution 2012-12 and the corresponding additions to the District Policy Manual, the Finance policies were deleted from the District Policy Manual. Based on my review of written explanation (lack thereof) and dialog with staff on why the policies were deleted, it appears to have been the intention of the District to move these Finance Policies into a separate policy manual, e.g. create a "RLECWD Finance Policies Manual". Evidently, creation of a new Finance Policy Manual never happened. At this point, following review of Resolution 2012-12 and the background information, I believe the appropriate implementation of the finance policies was the District Policy Manual. Reportedly, the current independent auditor agrees with such conclusion.



Resolution 2012-12 and the corresponding sections of the District Policy Manual (now deleted) cover some high-level finance policies, e.g. stipulated reserve policies. However, these high-level policies do not comprehensively address ALL of the missing elements summarized in the FY 2010/2011 audit findings. Even if the District reinstates the policies prescribed in Resolution 2012-12, the District needs to address day to day financial procedures to preclude the consequences detailed in the audit findings when/if a small organization such as RLECWD experience turnover in Accounting Specialist (Bookkeeper) and/or General Manager.

**Conclusion:**

I recommend the Finance/Admin Committee review the document associate with this item and provide any additional insights (e.g. discussion they may recollect) which would influence which policies need to be re-established in the District Policy Manual and which procedures need to be drafted for a Finance Procedures Manual. The Finance/Admin Committee should direct staff accordingly.

## **Rio Linda / Elverta Community Water District**

### **Resolution 2012-12**

#### **CREATING SEC. 3.09.140 DISTRICT INVESTMENT POLICY, 3.09.150 OPERATING AND RESERVE POLICY AND 3.09.160 WHISTLEBLOWER POLICY OF TITLE 3 FINANCE OF THE DISTRICT POLICY MANUAL**

**WHEREAS**, In the 2009-10 audit findings the District's Auditor recommended that the District create policies on District Investment, Operating and Reserve Accounts and whistleblower protection.

**WHEREAS**, The General Manager has created these policies and they have been reviewed by the District's Auditor. These policies were approved by the Board of Directors at its June 18, 2012 meeting.

**WHEREAS**, It has been determined that these policies should be included in the District's policy manual;

**NOW THEREFORE, BE IT RESOLVED**, by the Rio Linda / Elverta Community Water District Board of Directors that the provisions of Section 3.09.140 District Investment Policy, 3.09.150 Operating and Reserve Policy and 3.09.160 Whistleblower Policy of the District Policy Manual (Title 3 Finance) are hereby added as noted below:

#### **3.09.140 District Investment Policy**

##### **PURPOSE**

This statement is intended to provide policy and direction to the Finance Officer of the District for the prudent and beneficial use of all funds and monies of the District without regard to source or restrictions. Any reference to portfolio shall mean the total of District cash and securities under management by the Finance Officer. Permitted investments shall be listed in Exhibit A.

##### **AUTHORITY**

The Government Code of the State of California (Government Code), primarily section 53601 and related subsections authorizes the types of investment vehicles allowed in a California local agency's portfolio. The investment vehicles emphasize preservation of capital and are a conservative set of investments. The authority to invest (as defined in the Government Code) is delegated to the local agency's legislative body for re-delegation to its finance officer. Under no circumstances is the local agency finance officer permitted to purchase an investment that is not specifically authorized by law and within the scope of investments delegated by the local agency's governing Board.

## **BASIC POLICY AND OBJECTIVES**

The Rio Linda / Elverta Community Water District investment policy is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

- 1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- 2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- 3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

## **FOLLOWING ARE OBJECTIVES:**

**DIVERSIFICATION** The District shall maintain a portfolio of authorized investments with diversified maturities, issuers and security types to avoid the risk inherent in over investing in any one sector. The Finance Officer shall evaluate or cause to have evaluated each potential investment, seeking quality of issuer, underlying security or collateral, potential negative effects of market volatility on the investment and shall diversify the portfolio to reduce exposure and assure adherence to the Basic Policy and Objectives paragraph of this policy.

**PRUDENT INVESTOR STANDARD** Investments will be made with the same standard of care that persons of prudence, discretion and intelligence exercise when managing their own affairs, not for speculation, but for investment with particular consideration for safety of capital as well as probable income derived.

**REPORTING REQUIREMENTS** Each month the Finance Officer shall prepare and submit a report of investment transactions to the Board of Directors. This report will be sufficiently detailed to provide information for investment evaluation.

**PERFORMANCE REVIEW** An annual appraisal of the investment portfolio shall be conducted to evaluate the effectiveness of the District's investment program. The purpose of this review, in addition to evaluation of performance, is to provide the platform for recommendations of change and improvements to the portfolio to the Board of Directors.

**GRANDFATHER CLAUSE** Any investment held by the District at the time of this policy is adopted shall not be sold to conform to any part of this policy unless its sale is judged to be prudent by the Finance Officer.

**CONFLICTS OF INTEREST** The Finance Officer shall perform his/her duties under this Investment Policy in accordance with the provisions of Section 1126 of the Government Code as well as any other state law referred to in this policy.

**EXCEPTIONS** When the Finance Officer determines that an exception to one of the numerical limits is in the best interest of the District, such exception is permitted as long as it is consistent with applicable State and Federal laws. Exceptions to this policy shall be reported to the Board of Directors within five working days along with a detailed explanation for the variance.

**CONFLICTS** In the event any provision of this Statement of Investment Policy is in conflict with any of the statutes referred to herein or any other State or Federal statute, the provisions of each statute shall govern.

**SAFEKEEPING** All securities purchased may be delivered against payment and held in safekeeping pursuant to a safekeeping agreement. All financial institutions shall be instructed to mail confirmations and safekeeping receipts directly to the Finance Officer of the District.

**EXHIBIT "A"**

**PERMITTED INVESTMENTS**

|    | <u>Investment Type</u>  | <u>Maximum Investment</u> | <u>Maximum Maturity</u> |
|----|---|---------------------------|-------------------------|
| 1) | Investment pool authorized under CA Account Statutes governed by Government Code Sections 16429.1-16429.4 | \$50 million <sup>1</sup> | Liquid                  |
| 2) | California Asset Management Program (CAMP)  | Unlimited                 | Liquid Account          |
| 3) | U.S. Treasury Obligations   | Unlimited                 | 5 Years                 |
| 4) | Bank Savings Account  | 25%                       | Liquid Account          |
| 5) | Federal Agencies  | 75%                       | 5 Years                 |
| 6) | Commercial Paper  | 20%                       | 180 Days                |
| 7) | Negotiable Certificates of Deposit  | 20%                       | 180 Days                |
| 8) | Re-purchase Agreements  | 20%                       | 180 Days                |
| 9) | Corporate Debt  | 25%                       | 5 Years                 |

**ADDITIONAL LIMITS ON INVESTMENTS:**

- 1) No notes.
- 3) U.S. Treasury Obligations are limited to Treasury Bills, Treasury Notes, and Treasury Bonds.
- 4) Bank Savings Accounts must be collateralized at 110% of account balance.
- 5) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- 6) Must be a U.S. corporation with over \$500 million in assets. The commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The District may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Additionally, District purchases may not exceed 10% per issuer.
- 7) Negotiable certificates of deposit must be issued by a nationally or state-chartered bank, a savings association, or a federal association (as defined by Section 5102 of the Financial Code), or a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rated in the "A: category or higher, or the equivalent, by a nationally recognized rating organization.
- 8) The District will enter into repurchase agreements only with primary government securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall be governed by a master repurchase agreement adopted by the Public Securities Association. All securities underlying repurchase agreements shall be delivered to the District's custodial bank, or be handled under a properly executed "tri-party" custodial arrangement. Collateral for repurchase agreements is restricted to U.S. Treasury issues or Federal Agency issues.

The underlying collateral must be at least 102% of the repurchase agreement amount. If the value of securities held as collateral slips below 102% of the value of the cash transferred, then additional cash or acceptable securities must be delivered to the third party custodian. Market value shall be recalculated each time there is a substitution of collateral. For repurchase agreements with terms to maturity of greater than three days, the value of the collateral securities shall be marked to market weekly by the custodian, and if additional collateral securities is required, then that collateral must be delivered within two business days. If a collateral deficiency is not corrected within two days, the collateral securities will be liquidated.

A perfect first security interest in the collateral securities, under the Uniform Commercial Code, shall be created for the benefit of the District. Collateral securities shall be held free and clear of any lien and shall be an independent third party acting solely as an agent for the District, and such third party shall be (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$50 million.

- 9) Purchases are limited to corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated "A" or better by a nationally recognized rating service. District purchases may not exceed 10% per issuer.

Limits subject to change; established by State Treasurer.

### 3.09.150 Operating and Reserve Policy

#### BASIC POLICY AND OBJECTIVES

The Rio Linda / Elverta Community Water District reserve policy is a financial policy guided by sound accounting principles of public fund management. The policy establishes several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses.

The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and rate setting process and may be revised accordingly as necessary. The following District reserve fund categories are established:

#### 1 Capital Improvement Fee Reserve

- 1.1. Purpose: To provide funds for the orderly and timely expansion of the District facilities to meet future demand and to maintain and/or improve the District's existing level of service.
- 1.2. Target Balance: AB1600 does not designate a target reserve balance. A Government Code 66000 Compliance Report identifies the proposed capital projects necessary to maintain and/or improve services and the amount needed to fund those capital projects. In accordance with Government Code 66000, the balance shall not exceed the amount specified by that law.
- 1.3. Methodology/Rational: Virtually all development that occurs within the District requires the use of District facilities, plant and equipment for public services. This fee is established to insure the adequacy and reliability of such facilities, plant and equipment as development of undeveloped land occurs.
- 1.4. Use of Funds: The funds generated by the fee will be used to acquire, replace and/or construct various capital facilities, plant and equipment for the provision of water, security and administrative services
- 1.5. Funding: Annual contributions from developer fees will depend upon new construction within the District. Additionally, interest earnings will be accrued on and added to fund balance, using the District's earnings rate on investments. The District also currently contributes \$20,000.00 per month into this fund from operating income.

#### 2. Surcharge Account

- 2.1. Purpose: This account was created to pay off the 2010 SRF Loan of \$7,499,045.00. This account will be closed after repayment of the loan 20 years from the project completion date.

- 2.2. Target Balance: The target balance increases and decreases with the construction project in progress. It will stabilize when the construction is complete and loan payment begins. Hence, there is currently no target balance.
- 2.3. Methodology/Rational: It has been determined by the State of California that the amount of \$19.00 per connection per billing period should be sufficient for the repayment of their loan.
- 2.4. Use of Funds: The funds will be used for repayment of SRF loan.
- 2.5. Funding: a fee of \$19.00 per billing cycle is charged to each active account and collected as a primary source of funds. A minimum of \$80,320 per billing cycle is deposited until the loan is paid off.

### **3. Surcharge Reserve**

- 3.1. Purpose: To establish a reserve as required by our 2011 SRF funding agreement # SRF111CX107
- 3.2. Target Balance: The target balance is \$481,917.00 which is equivalent to 2 semiannual loan payments.
- 2.3. Methodology/Rational: There is \$88,352.00 put into this reserve every billing cycle. The current balance is \$353,408.00. The reserve should be up to the required amount in the next two billing cycles
- 2.4. Use of Funds: The funds will not be used. They are to remain in this account until the loan is paid off per our loan agreement.
- 2.5. Funding: \$88,352.00 is transferred into this account every billing cycle until it reaches its required amount.

### **4. 2003 Water Revenue Refunding Bonds Reserve Fund 2032**

- 4.1. Purpose: To establish a reserve as required by our 2003 Water Revenue Refunding Bonds
- 4.2. Target Balance: The target balance is \$242,484.00 which is equivalent to 2 semiannual loan payments.
- 4.3. Methodology/Rational: This fund is already fully funded and no additional monies are being deposited.
- 4.4. Use of Funds: The funds will not be used. They are to remain in this account until the bonds are paid off per our bond agreement.
- 4.5. Funding: This fund is already fully funded and no additional monies are being deposited.

**5. 2003 Debt Service Fund**

- 5.1. Purpose: To make semiannual bond payments on the 2003 bonds in the amount of \$3,970,000.
- 5.2. Target Balance: The amount equivalent to the amount payable on the bonds semi annually. There is approximately \$240,000.00 due per year on this bond issue.
- 5.3. Methodology/Rational: The District deposits \$20,000.00 per month in to this reserve from the Operating Fund in order to have sufficient funds to pay the bond payments when due.
- 5.4. Use of Funds: These funds are used exclusively to repay the 2003 Bond debt.
- 5.5. Funding: \$20,000 per month is put into this account to build up enough money for payment of the bonds when due.

**6. Operating Fund**

- 6.1. Purpose: To ensure cash resources are available to fund daily administration, operations and maintenance of providing water, wastewater, security and drainage services.
- 6.2. Target Balance: A minimum of six months of cash to fund District expenditures.
- 6.3. Methodology/Rational: The District is required to have sufficient cash flow to meet the next six months of budgeted District expenditures (Government Code Section 53646(b)(3)). The next six months of projected cash revenues can be included as a source of cash flow to satisfy this requirement. Revenues in excess of reserve contributions and expenditures resulting from expenditure savings or timing differences are also reflected in this fund.
- 6.4. Use of Funds: These funds will be used to pay for expenditures according to budget and expenditure authority.
- 6.5. Funding: Annual contributions will vary, depending upon other reserve requirements and current year expenditure requirements. Additionally, interest earnings will be accrued on and added to fund balance, using the District's earnings rate on investments.

**7. Trust Account**

- 7.1. Purpose: To collect deposits for new customer accounts. These deposits are refunded after one year of timely payment on their account.
- 7.2. Target Balance: The balance on this account fluctuates with the number of customers that have deposits with the District.
- 7.3. Methodology/Rational: The District requires a \$100.00 deposit for each parcel that is owned by a customer. There is a method of waiving the deposit. If the customer can provide us with a letter of credit from a current or previous utility provider that shows at least one year of history with no late payments or returned checks the deposit can be



waived. If a deposit is required the deposit gets returned to their account after one year of timely payment or when they move. If there is a deposit balance after paying the final bill upon leaving the property it is refunded in the form of a check.

- 7.4. Use of Funds: These funds will be used to pay the final bill on an account if it is left unpaid when the owner moves away.
- 7.5. Funding: The District requires a \$100.00 deposit for each parcel that is owned by a customer. If the customer can provide the District with a letter of credit from a current or previous utility provider that shows at least one year of history with no late payments or returned checks the deposit can be waived.

## **8. Secured Credit Card**

- 8.1 Purpose: To provide a constant amount of money for the District credit cards to draw upon.
- 8.2. Target Balance: The balance on this account is \$15,000.00.
- 8.3. Methodology/Rational: The District had no credit when the current Management went to obtain a credit card for the company. The only way a card could be secured was to have a constant balance set aside for the company credit cards to draw upon and reimburse monthly.
- 8.4. Use of Funds: These funds are used to pay credit card expenses and reimbursed monthly.
- 8.5. Funding: The District initially funded this account with the amount of \$15,000.00.

## **9. LAIF GASB 45 Funding**

- 9.1 Purpose: To provide a source of income to fund post retirement benefits.
- 9.2. Target Balance: Unknown. An Actuarial study needs to be performed to determine the appropriate amount to include in this account.
- 8.3. Methodology/Rational: This will be determined when the actuarial study is done.
- 8.4. Use of Funds: These funds are to be used to fund post retirement benefits costs.
- 8.5. Funding: The income to fund this account will come from the Operating Fund.

### **3.09.160 Whistleblower Policy**

#### **PURPOSE**

Rio Linda / Elverta Community Water District (RLECWD) requires its Directors, Managers and Employees to observe high standards of professionalism and ethical conduct in maintaining financial records. This Whistleblower Policy (the "Policy") establishes standards and procedures to ensure that complaints and concerns ("Accounting Irregularity") regarding accounting or auditing matters are reported and handled in a manner that complies with management's objectives. In addition, this policy establishes procedures for:

1. The confidential, anonymous submission by Complainants of Accounting Irregularities regarding questionable accounting or auditing matters; and,
2. The treatment of Accounting Irregularities concerning accounting, internal account controls and auditing matters received by RLECWD from Complainants.

### **NO RETALIATION**

No office, employee or other (the “Complainant”) who in good faith reports an Accounting Irregularity shall suffer harassment, retaliation or adverse employment consequences. An employee who retaliates against someone who has reported an Accounting Irregularity in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable Complainants to raise serious concerns with RLECWD rather than seek resolution outside RLECWD.

### **PROCEDURE FOR REPORTING VIOLATIONS**

1. It is the responsibility of all Directors, Managers and Employees to report all suspected Accounting Irregularities in accordance with this Policy. RLECWD maintains an open door policy and suggests that Complainants share their questions, concerns or complaints with someone who can address them properly. In most cases, the Complainant’s supervisor is in the best position to address an area of concern. A Complainant’s supervisor may be most knowledgeable about the issues and will appreciate being brought into the process. It is the supervisor’s responsibility to help solve the problem.
2. If the Complainant is not comfortable speaking to his/her supervisor or is not satisfied with the supervisor’s response, the Complainant is encouraged to speak with the General Manager. Supervisors and General Manager are required to report suspected Accounting Irregularities to the Board of Directors. The Board of Directors will create an Audit Committee which has specific and exclusive responsibility to investigate all reported violations. For suspected fraud or securities law violations, or when the Complainant is not satisfied or is uncomfortable with following RLECWD’s open door policy, the Complainant should contact the General Manager directly.

RLECWD General Manager  
P.O. Box 400  
Rio Linda, CA 95673  
(916) 991-1000  
(916) 991-6616 fax

### **INVESTIGATION OF COMPLAINTS**

1. The Audit Committee is responsible for investigating and resolving all reported complaints and allegations concerning Accounting Irregularities. The Audit Committee may retain independent legal counsel, accountants or other to assist in its investigation.

2. The Chair of the Audit Committee will notify the Complainant and acknowledge receipt of the reported suspected Accounting Irregularity within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted as a result of the investigation.
3. RLECWD shall retain records of complaints for a period of no less than seven years as a separate part of the records of the Audit Committee.

### **ACCOUNTING AND AUDITING MATTERS**

The Audit Committee is responsible for addressing all reported concerns or complaints regarding accounting practices, internal controls or auditing. The General Manager is required to immediately notify the Board of Directors of any complaint of which he/she is aware and to work with the Committee until the matter is resolved.

### **ACTING IN GOOD FAITH**

Anyone filing a complaint concerning a suspected Accounting Irregularity must be acting in good faith and have reasonable grounds for believing the information disclosed indicates an Accounting Irregularity. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

### **CONFIDENTIALITY**

Complaints or submissions concerning a suspected Accounting Irregularity may be submitted on a confidential basis by the Complainant or may be submitted anonymously. All complaints or submissions will be kept confidential to all extent possible, consistent with the need to conduct an adequate investigation.

This Policy will become effective immediately upon approval of this Resolution.

Passed and Adopted this 16<sup>th</sup> Day of July 2012 by the following vote:

Ayes: Directors Frank Caron, Hood, Johnson, Trautman

Noes: None

Absent: Courtney Caron

Abstain: None

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Gerald H. Trautman  
President, Board of Directors

Attest:

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Mary Henrici  
Secretary of the Board

## RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2011

**Finding 2010-1: Other Post-Employment Benefits Accrual**

**Condition:** In April 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, which was required to be implemented during the year ended June 30, 2010. The Statement requires that the District establish a liability for other post-employment benefits (OPEB) to be measured and reported according to certain parameters. Because the District did not have an actuarial study performed, an OPEB liability could not be recorded at June 30, 2010. Since the District is currently expensing the premiums paid for retirees as they are paid, the implementation of this Statement will result in the District being required to accrue an OPEB liability, which could be a significant amount. This Statement does not require the plan to be funded. In order to comply with generally accepted accounting principles, the District will need to have an actuarial valuation performed to determine the amount of liability to accrue.

**Status:** The District has not yet had the actuarial study performed, so an OPEB liability is not recorded as of June 30, 2011.

**Finding 2010-2: Year-end Closing Procedures and Account Reconciliations**

**Condition:** This year's audit and the District's closing process was delayed because of turnover in personnel, the lack of central oversight and the lack of resources dedicated to the close-out of the general ledger and preparing for the audit. The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors and resulted in numerous audit adjustments. The large number of adjustments identified during the course of the audit indicates that the District does not have the internal controls in place to prevent or detect misstatements on a timely basis. To facilitate the closing process, a closing procedures checklist should be developed to ensure the District has all closing entries prepared before the start of the audit. The District needs to ensure that all balance sheet reconciliations and account balance analyses are prepared and reviewed. Areas where accounts and transactions were not adequately reconciled and evaluated for proper recording prior to the start of the audit fieldwork and areas that require improvement included the following:

- a. In preparing the reconciliations of accounts receivable and deposits payable from the billing system to the general ledger at June 30, 2010, the District had unreconciled differences of \$5,984 in accounts receivable and \$3,417 in deposits payable. In addition, the billing system showed a credit balance of \$5,444 in the surcharge receivables, which would indicate overpayments were made, that needs to be investigated. Reconciliation of the billing system to the general ledger should be performed throughout the year and at year-end so that such differences can be identified and corrected on a timely basis. Evaluation of the need for an allowance for doubtful accounts also needs to be performed at least annually. At June 30, 2010, receivables over 120 days past due totaled \$10,800.
- b. Until recently, the District had not been entering invoices in the accounts payable module as they were received, only as they were paid. As a result, the District had no way of knowing the amounts owed to vendors as of a given point in time. The District entered the invoiced owed but unpaid as of June 30, 2010 in preparation for the audit. Going forward, the District needs to generate an accounts payable trail balance and compare it to the general ledger on a regular basis.
- c. Procedures for accounting for long-term debt and related accounts needs to be established including: calculation and recording of interest payable on long-term debt, maintaining supporting documentation for the amounts recorded for the amortization of deferred amount on refunding and issuance costs related to the debt issuances of the District.
- d. The restricted net asset balances were not adjusted to agree to the corresponding restricted cash accounts. Procedures need to be established for adjusting restricted net assets to their proper balances.
- e. The District received land for well #14, but this land was not valued and recorded as an asset and contributed capital revenue in the general ledger. Procedures for identifying and quantifying donated assets need to be established.

## RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2011

- f. We noted that not all twelve months of cell tower lease revenue was recorded. The District needs to ensure the proper tracking of cell tower lease payments to ensure amounts are received on a timely basis or are accrued to ensure completeness of revenue.
- g. Prepaid expenses had not been adjusted since the prior fiscal year end. Procedures need to be established to ensure prepaid balances are expensed over the period for which the services were provided.
- h. The District had not performed a physical inventory count of its supplies inventory since June 30, 2009. Since a perpetual inventory system is not maintained, the inventory balance as of June 30, 2010 has not been revised. The District needs to ensure that a physical inventory count is performed at least annually so that the general ledger balance can be adjusted.
- i. A number of accrual adjustments were not reflected in the general ledger prior to the audit. These adjustments include accruing a receivable for the portion of the July water billings that relate to June, and May, accruing a liability for compensated absences and accruing the PERS retirement payments owed as of June 30.

We recommend that the District develop an accounting procedures manual to ensure continuity in processes when staff turnover occurs. Procedures should be in place to prepare the required reconciliations at year-end and throughout the year and post entries needed to close the books prior to the start of the audit.

Status: The District has addressed items b., f. and i. for the fiscal year 2010/11 audit. Unreconciled differences were noted between the billing system and the general ledger for the fiscal year 2010/11; however, we understand a reconciliation process has been put in place in fiscal year 2011/12. We also understand that a physical inventory of supplies has been taken during fiscal year 2011/12 to address item h. The remaining items still need to be addressed.

**Finding 2010-3: Internal Controls and Separation of Duties**

Condition: Certain procedures, which should be separated, are performed by the same person due to the District's small number of accounting staff. The lack of consistent segregation of duties is not unusual for small water districts; however, compensating controls need to be put in place to reduce the risk of misstatement or fraud. The following areas were identified where internal control deficiencies exist:

- a. The bookkeeper processes invoices, enters them into the accounts payable system, writes checks, has access to the general ledger, and receives the bank statements and reconciles the bank accounts, which is not an adequate segregation of duties. The previous long-time bookkeeper was also able to sign checks. To compensate for this lack of segregation of duties, the General Manager should receive all bank statements unopened and review them prior to forwarding to the bookkeeper. After completion of the monthly bank reconciliations by the bookkeeper, they should be reviewed and approved by the General Manager. Complete listings of checks written should be provided to the Board for review on a monthly basis.
- b. After accounts payable checks have been signed, they are returned to the bookkeeper, who prepares the checks for mailing. Signed checks should be mailed by someone not associated with the accounts payable function.
- c. Billing preparation, processing of customer payments, posting billing and payment information to customer accounts, making customer billing adjustments and follow-up on billing questions are all accomplished by the same employee, which is not an adequate segregation of duties. While a procedure is in place whereby the General Manager is to approve billing adjustments over \$100, the billing clerks have the ability to make these adjustments in the system without approvals. A review of all billing adjustments should be performed by the General Manager using the adjustment report generated from the system. The documentation of the authorization of billing write offs or adjustments needs to be maintained to document this approval.

## RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2011

- d. Currently all bank deposits are being made by the billing clerk, but this person also has access to the accounts receivable module, which is not an adequate segregation of duties. While it may not be feasible for physical bank deposits to be made by an individual who does not have access to the accounts receivable module, the bookkeeper, who does not have access to the billing system, should review the documents to ensure agreement of the deposit amount to the postings to customer accounts in the billing system and then compare the deposit slip to the bank statement.
- e. We noted that entries made to the payroll system, such as changes to the pay rates, were not being reviewed. We recommend that any payroll system changes be reviewed and approved by the General Manager. In addition, the General Manager should be reviewing the payroll registers and/or check stubs and documenting this review with an initial.
- f. Regular staff meetings should be held to identify and resolve issues and provide sound guidance.

The District needs to re-evaluate its internal control system to ensure adequate segregation of duties are in place, and reconciliation and review functions are taking place.

Status: Due to the timing of when this finding was first reported, the fiscal year was already past, so these internal controls have not yet been put into place.

**Finding 2010-4: Financial Reporting**

Condition: The District needs to establish a financial reporting system that includes the reporting of financial information to the Board on a regular basis. The District also needs to ensure that it complies with the California Government Code with regard to its investment reporting. The Government Code calls for quarterly reports on the District's financial holdings, a statement of compliance with the policy and a statement concerning the District's ability to meet its cash flow needs in the ensuing six months. We did not see where these investment reports were provided.

Status: Financial reports were not provided during fiscal year 2010/11; however, we understand that reports are being provided in fiscal year 2011/12.

**Finding 2010-5: Organization of Accounting Records**

Condition: We noted that the District's accounting records were disorganized making records difficult to locate for the audit, partly because of the records being confiscated by the District Attorney's Office. As a result, the District was not able to locate supporting invoices for 19 out of the 85 samples of expenses we selected for testing. We recommend the District develop accounting procedures for proper filing and storing of invoices and other accounting documentation.

Status: We noted an improvement in the maintaining of accounting records.

**Finding 2010-6: Capital Asset Accounting**

Condition: The District was unable to locate its capital asset listing and depreciation schedule and had to create one from the listing prepared by the prior auditor. The District needs to ensure it maintains its own capital asset listing and depreciation schedule, and that updates to the listing be made throughout the year.

The District records its capital asset additions as expenses instead of capital assets. The District needs to establish procedures to identify and record capital asset additions, including construction in progress, on the asset listing on a timely basis, to record depreciation expense and to track and record fixed asset disposals. We noted two vehicles were sold in fiscal year 2009/10, but these vehicles were not removed from the asset list. We also noted the District's capital asset listing still contained assets that had been disposed of years earlier and in several cases only a portion of the cost and accumulated depreciation of the assets was removed. Periodic inspections of capital assets need to be performed to ensure that recorded assets still exist. Reconciliations of the capital asset list to the general ledger need to be performed on a periodic basis, and adjustments to the general ledger need to be made timely.

## RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2011

We noted that the District's capital asset listing did not include intangible assets or land. As a result, amortization of the intangible assets was not calculated and recorded in the general ledger, which resulted in an audit adjustment being required. The District needs to ensure that a list of all land holdings, including those that were donated, and intangible assets is maintained as part of the capital asset listing.

Status: During the 2011 audit, we noted the District has now updated their capital asset listing. However, as part of the closing process, the District needs to reclassify capital assets from expense to capital assets and to include land and intangible assets on its asset listing.

**Finding 2010-7: Surcharge Cash Account**

Condition: We noted the District borrowed cash totaling \$37,500 from the restricted surcharge bank account to cover low or negative balances in the operating bank account. While we noted the funds were paid back to the surcharge account, any use or transfers of restricted funds should be reviewed and approved by management or the Board of Directors.

Currently when the capital improvements surcharge is collected, it is deposited into the operating bank account before being transferred to the surcharge bank account. Because revenues received in fiscal year 2010 exceeded the total funds deposited into the surcharge account by \$16,130, this implies that not all of the funds have been transferred from the operating bank account to the surcharge bank account. We recommend the surcharge amount collected for capital improvements be deposited directly into the surcharge bank account, if practicable to do so, or at a minimum, there be a quarterly reconciliation performed that compares revenues collected for the capital improvement surcharge with amounts deposited into the surcharge bank account to ensure surcharge receipts are recorded correctly, or whether a transfer needs to be made.

Status: The District believes it is not practical to deposit daily receipts into the surcharge account, but the District has plans to implement a process beginning in fiscal year 2011/12 where monthly, the billing system amounts are reconciled with the general ledger and the surcharge receipts for the month are transferred into the surcharge account from the District's operating account. In our fiscal year 2010/11 audit, we noted that revenues of approximately \$17,729 have not been recorded in the surcharge account. In addition, \$105,856 of expenditures were paid out of the surcharge account that do not appear to be qualifying expenditures. As a result, the operating account owes the surcharge account \$145,903 as of June 30, 2011.

**Finding 2009-1: Organization of the District**

Condition: The prior auditors observed the structure and the roles of the Board, management and employees and the effectiveness of the District's lines of communication. The prior auditors believed the District needs to review the tasks that have been assigned to the employees to ensure their completion but overall responsibilities of employees have not been formalized or properly defined. The prior auditors believed the District needs to rebalance the current workloads to ensure that the proper functions are performed by the proper employee, therefore ensuring proper internal control. Additionally, balanced workloads will ensure that employees have the appropriate time to dedicate to the accurate completion of their tasks and will also improve employee morale.

Status: The organization structure and workloads do not appear to have been revised since the prior audit. Special attention needs to be given to addressing the internal control issues identified in Finding 2010-3 as far as workload re-assignments.

**Finding 2009-2: Develop an Organization Chart**

Condition: The District does not have an organization chart. There is a natural tendency to dismiss the need for an organization chart in a small business where management deals more or less directly with each employee, and where all personnel know each other and are generally aware of each other's area of responsibility. However, without an organization chart, there may be confusion about who is really accountable for particular areas and to whom employees are responsible. The result could be that some areas of operations do not receive adequate attention or

## RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2011

that duplicative or contradictory actions are taken. A good organization chart can prevent such misunderstandings and also increase administrative efficiency and control in the following ways:

- Indicate whether there is appropriate allocation of operating and supervisory responsibility.
- Indicate whether there is an adequate separation of duties.
- Inform management, new employees, and others of the District's management and operating style.
- Provide information for management to monitor and inquire into operations and procedures, assign new duties or responsibilities that may arise, or make reassignments when employee turnover, promotions, operational needs, desire for better separation of duties, or other circumstances call for it.

The prior auditor recommended that management prepare and maintain a chart of organization in sufficient detail to indicate the District's major areas of operations, the person responsible for each area, and who each supervisor reports to as well as which employees report to each supervisor. The chart should be updated whenever there is significant employee turnover or changes in operations.

Status: An organization chart was not in place as of June 30, 2011. However, we noted management has recently developed an organization chart for Board approval.

**Finding 2008-3: Budget**

Condition: The auditor's opinions for the past three fiscal years have been issued with the contingency of a going concern. This states to the readers of the District's financial statements that the District's auditors have found substantial doubt about the District's ability to maintain operations at sufficient levels to remain in business. In response to their concerns, former management provided several updated budgets which were unclear in nature therefore ineffective. The fundamental purpose of budgetary control is to plan beforehand the most efficient operation and then maintain operations according to the budget.

Budgets stimulate early identification of operational problems and help ensure that timely decisions are made for resolving the problems. Budgetary control also results in better coordination and control of the District's efforts and in more effective use of the District's resources.

We believe that the District could more accurately evaluate operational performance by revising current budgeting procedures to provide for the following:

- Obtaining estimates of future operational data from field operations, and administrative personnel.
- Updating the current year's budget at least quarterly for operational changes.
- Communicating operational performance to appropriate personnel.

It is understood that the nature of the District's operations, as well as the uncertainties inherent in economic activity, makes predications of the future subject to frequent change. Thus, we recommend that the District perform periodic reviews for variances between actual and budgeted results and document the variances between actual and budgeted results. Budget variances may indicate possible problems that can be identified quickly and followed-up. Variances can also be caused by erroneous assumptions, not business or economic factors. If investigations of budget variances suggest that the budget is inaccurate, or if business conditions vary from expectations, the budget should be revised to reflect current conditions or more reasonable estimates.

Status: The District has been through numerous management changes over the past few years such that there has not been continuity in the managers preparing the budget and monitoring variances throughout the fiscal year. As discussed in the Finding 2010-4, the District needs to ensure it has an adequate financial reporting system in place such that sound management decisions can be made.



## RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2011

**Finding 2007-2: Accounting Policies**

Condition: The prior auditor's review of internal controls brought to their attention the fact that the District has no current formal accounting policies and procedures. Having an up-to-date accounting policies and procedures manual will provide for efficient training of new staff, effective and timely financial reporting and consistency within the Administrative department. We recommend the District prepare an accounting policies manual that should address management's risk factors in relation to financial reporting.

Status: Because the District does not have an accounting policies and procedures manual, the departure of the long-time bookkeeper has made it difficult for successor bookkeepers to ensure continuity in accounting functions and to follow the work of the predecessor bookkeeper.



## **Finance /Administrative Committee**

### **Agenda Item: 5**

**Date:** February 11, 2019

**Subject:** Consider Discontinuing Funding for Conservation Rebate Programs

**Staff Contact:** Timothy R. Shaw, General Manager

#### **Recommended Committee Action:**

The Finance / Administrative Committee should consider directing staff to discontinue funding for conservation rebates programs in fiscal year 2019/2020.

#### **Current Background and Justification:**

The District has budgeted funding for offering rebates to customers who install replace less water efficient appliances with low-flow toilets and high-efficiency washing machines. The requirements and justification for such a program is stipulated in the District's current Urban Water Management Plan (UWMP). More specifically, the UWMP stipulates that the District is a signatory to the California Urban Water Conservation Council Memorandum of Understanding (CUWCC MOU). The CUWCC MOU stipulates several demand management measures. One of the demand management measures was establishing a rebate program to encourage conservation via replacing inefficient appliances with more efficient ones. The CUWCC MOU was terminated a few years ago. The District is no longer compelled to have a rebate program.

The efficacy of the rebate programs at various agencies was examined in conjunction with the State's contemplation of drought emergency responses. The data shows that rebate programs, particularly toilet rebate programs are substantially ineffective at reducing overall water consumption. Generally, customers just use them as a means to replace fixtures they were already needing to replace but do it with a "savings coupon" funded by all the District ratepayers.

The logistics of the existing rebate program is a 50/50 match where half of the rebate is supposed to come from Sacramento Regional Sanitation. To be eligible, RLECWD customers also needed to be Regional Sanitation customers (not septic tank). Until October 2018, the Districts program materials failed to stipulate the criteria and many customers were provided rebates where the District did not receive reimbursement from Regional Sanitation. The funding we do have in the budget typically is exhausted within the first two months of each fiscal year.

**Conclusion:**

I recommend Finance/Admin Committee direct staff to discontinue funding for the conservation rebates program and reallocate that funding to more effective conservation purposes, e.g. conservation coordinator materials and training. I further recommend the committee direct staff to discontinue the rebate program materials posted to our website and other means.



## **Finance /Administrative Committee**

### **Agenda Item: 6**

**Date:** February 11, 2019

**Subject:** Logistics for ACWA and ACWA JPIA Spring Conference in Monterey, CA

**Staff Contact:** Timothy R. Shaw, General Manager

#### **Recommended Committee Action:**

The Finance / Administrative Committee confirm the Boards intent on authorization of ACWA and ACWA-JPIA conferences attendance and further discuss logistics for the spring 2019 ACWA and ACWA/JPIA conference in Monterey, CA.

#### **Current Background and Justification:**

In December 2018 the Board took action to, among other things, authorize attendance at the annual spring and fall ACWA and ACWA-JPIA conferences. Upon engaging in informal planning dialog with Directors and staff in advance of the spring conferences, it appears there is some confusion as to whether there are two Directors appointed (one for ACWA and one for ACWA-JPIA) or one Director who is appointed to both ACWA and ACWA-JPIA.

The minutes of the December 2018 meeting are included with this committee packet. The minutes relevant to the annual assignments and the item where the Board authorized attendance at both the spring and fall conferences seem to convey just one Director is assigned.

California Water Code, California Public Resources Code and AB-1234 all stipulate specific requirements for compensating elected officials for events such as the ACWA and ACWA-JPIA conferences. The Board's authorization and transparency is required.

#### **Conclusion:**

If necessary, following a Finance Committee discussion of what was intended and what was documented as the Board actions, forward an item onto the February 25<sup>th</sup> Board agenda to confirm and/or clarify which Director(s) have been assigned to attend the annual ACWA and ACWW-JPIA spring and fall conferences.

Board President Ridilla made no changes to the Finance and Planning Committees other than Director Harris filling in temporarily on the Finance and Administrative Committee until a new Board Member has been selected.

Board President Ridilla appointed Director Dills as the representative to RWA. Director Ridilla further recommended that he himself be placed as the alternate for ACWA.

No public comment on this item.

***It was moved by Director Henrici and seconded by Director Harris to approve all position appointments made by President Ridilla. Directors Henrici, Dills, Ridilla, and Harris voted yes. Director Green abstained. The motion carried with a vote of 4-0-1.***

Board President Ridilla appointed Director Dills and Director Harris to remain on the Ad Hoc committee for MOU negotiations.

***It was moved by Director Henrici and seconded by Director Ridilla for Director Dills and Harris to remain on the MOU Negotiations Ad Hoc Committee. Directors Henrici, Dills, Ridilla, Green and Harris voted yes. The motion carried with a unanimous vote of 5-0-0.***

#### **4.2.1 Authorize 2019 attendance and funding for meetings affiliated with certain assignments, e.g. SGA/RWA holiday social, ACWA conferences etc.**

District policy and various statutes governing Director compensation require that attendance by Board Members at meetings and functions be approved in advance by the Board at a public meeting.

No public comment on this item.

***It was moved by Director Henrici and seconded by Director Green to authorize attendance and funding for all directors assigned to position appointments like RWA/SGA Holiday Social and ACWA/JPIA Conferences. Directors Henrici, Dills, Ridilla, Harris, and Green voted yes. The motion carried with a unanimous vote of 5-0-0.***

#### **4.3 GM Report**

GM Shaw provided his written report to the Board.

No public comment on this item.

***The Board made no action on this item***

#### **4.4 District Engineer's Report**

District Engineer Mike Vasquez provided a written report to the Board of projects in the works since the last meeting of the Board. The report highlighted topics of General District Engineering, Well 16 Equipping & Site Design Request for Proposals, Well 10 Hexavalent Chromium Treatment Project, and Connection Fee Adjustment.

No public comment on this item.

***The Board made no action on this item***