

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

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

December 10, 2018
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 November 2018.
2. Review and discuss the Financial Reports for the month of November 2018.
3. Review and discuss the Comprehensive Annual Financial Report (CAFR).
4. Continue discussion of the Draft Ordinance for disconnection of service to terminate inactive service fees for requesting and compliant customers.
5. Resume discussion of the California Employers Retiree Benefit Trust means for pre-funding retiree medical insurance obligations.
6. Discuss the annual requirement by CalPERS for posting the updated employee pay scales following Cost of Living Adjustments (COLA).

Directors' and General Manager Comments

Items Requested for Next Month's Committee Agenda

Adjournment

Next Finance / Administrative Committee meeting: Monday, January 14, 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: December 10, 2018

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 November 2018 and forward to the December 17,, 2018 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
November 2018

Type	Date	Num	Name	Memo	Amount
Liability Check	11/02/2018	EFT	QuickBooks Payroll Service	For PP Ending 10/31/2018 Paydate 11/05/2018	16,726.92
Liability Check	11/05/2018	EFT	CalPERS	For PP Ending 10/31/2018 Paydate 11/05/2018	2,076.92
Liability Check	11/05/2018	EFT	CalPERS	For PP Ending 10/31/2018 Paydate 11/05/2018	1,940.46
Liability Check	11/05/2018	EFT	California State Disbursement Unit	Employee Garnishment	397.50
Liability Check	11/05/2018	EFT	Nationwide	Employee Benefits	1,280.92
Bill Pmt -Check	11/05/2018	EFT	Adept Solutions	Computer Maintenance	1,109.00
Bill Pmt -Check	11/05/2018	EFT	Comcast	Phone/Internet	416.60
Bill Pmt -Check	11/05/2018	EFT	Sprint	Field Communication	139.34
Bill Pmt -Check	11/05/2018	EFT	Republic Services	Utilities	87.91
Bill Pmt -Check	11/05/2018	EFT	Voyager Fleet Commander	Transportation Fuel	1,307.06
Liability Check	11/05/2018	EFT	Internal Revenue Service	Employment Taxes	6,924.28
Liability Check	11/05/2018	EFT	Employment Development	Employment Taxes	1,499.67
Liability Check	11/06/2018	EFT	Internal Revenue Service	Employment Taxes	16.06
Liability Check	11/06/2018	EFT	Employment Development	Employment Taxes	6.63
Paycheck	11/05/2018	5668	Employee	For PP Ending 10/31/2018 Paydate 11/05/2018	2,702.07
Liability Check	11/05/2018	5669	Franchise Tax Board	Employee Garnishment	197.02
Check	11/05/2018	5670	RLECWD	Umpqua Bank Monthly Debt Service Transfer	16,500.00
Check	11/05/2018	5671	Customer	Toilet Rebate	75.00
Bill Pmt -Check	11/05/2018	5672	ACWA/JPIA Powers Insurance Authority	Employee Benefits	23.50
Bill Pmt -Check	11/05/2018	5673	American Mobile Shredding	Office Expense	25.00
Bill Pmt -Check	11/05/2018	5674	Coleman Engineering	Engineering Expense: August & September 2018	14,625.00
Bill Pmt -Check	11/05/2018	5675	Corix Water Products	Distribution Supplies	5,709.70
Bill Pmt -Check	11/05/2018	5676	GM Construction & Developers Inc.	Contract Repairs	6,571.00
Bill Pmt -Check	11/05/2018	5677	OReilly Automotive	Transporation Maintenance	197.31
Bill Pmt -Check	11/05/2018	5678	Quill Corporation	Office Expense	107.28
Bill Pmt -Check	11/05/2018	5679	Rio Linda Hardware and Building Supply	Shop Supplies	148.28
Bill Pmt -Check	11/05/2018	5680	RW Trucking	Distribution Supplies	647.61
Bill Pmt -Check	11/05/2018	5681	Sierra Chemical Company	Chemical Supplies	811.80
Bill Pmt -Check	11/05/2018	5682	SMUD	Utilities	17,122.62
Bill Pmt -Check	11/05/2018	5683	SWRCB	License Renewal	60.00
Bill Pmt -Check	11/05/2018	5684	Tesco Controls	Field IT	365.10
Bill Pmt -Check	11/05/2018	5685	UniFirst Corporation	Uniforms	288.99
Bill Pmt -Check	11/05/2018	5686	Vanguard Cleaning Systems	Janitorial	195.00
Bill Pmt -Check	11/05/2018	5687	Continental Utility Solutions	Capital Improvement: Billing Software Upgrade	8,611.00
Liability Check	11/12/2018	EFT	Kaiser Permanente	Employee Benefits	342.43
Liability Check	11/15/2018	EFT	AFLAC	Employee Benefits	738.92
Liability Check	11/19/2018	EFT	QuickBooks Payroll Service	For PP Ending 11/15/18 Pay date 11/20/18	16,408.13
Liability Check	11/20/2018	EFT	CalPERS	For PP Ending 11/15/18 Pay date 11/20/18	1,688.35
Liability Check	11/20/2018	EFT	CalPERS	For PP Ending 11/15/18 Pay date 11/20/18	1,830.99
Liability Check	11/20/2018	EFT	Internal Revenue Service	Employment Taxes	5,609.94
Liability Check	11/20/2018	EFT	Employment Development	Employment Taxes	1,137.45
Liability Check	11/20/2018	EFT	Nationwide	Employee Benefits	1,175.52
Liability Check	11/20/2018	EFT	Western Health Advantage	Employee Benefits	13,236.20
Liability Check	11/20/2018	EFT	California State Disbursement Unit	Employee Garnishment	397.50

Rio Linda Elverta Community Water District
Other Accounts Expenditure Report
November 2018

Type	Date	Num	Name	Memo	Amount
Check	11/20/2018	EFT	RLECWD - Capital Improvement	Current Monthly Transfer	42,000.00
Check	11/20/2018	EFT	RLECWD - SURCHARGE 1 ACCOUNT	Current Monthly Transfer	42,500.00
Check	11/20/2018	EFT	RLECWD - Operating	Transfer funds for Security Deposits paid with Credit Card	1,050.00
Bill Pmt -Check	11/20/2018	EFT	Bankcard Center 2911	Computer, Fuel, Postage	259.47
Bill Pmt -Check	11/20/2018	EFT	Bankcard Center 6669	Fuel	80.00
Bill Pmt -Check	11/20/2018	EFT	Bankcard Center 7806	Construction Equip Maint, Shop Supplies	630.88
Bill Pmt -Check	11/20/2018	EFT	Bankcard Center 8900	Construction Equip Maint	240.00
Bill Pmt -Check	11/20/2018	EFT	Verizon	Field Communication	260.31
Liability Check	11/20/2018	5688	Teamsters Local #150	Union Dues	660.00
Check	11/20/2018	5689	Customer	Final Bill Refund	295.61
Bill Pmt -Check	11/20/2018	5690	Anthem Blue Cross	Retiree Insurance: Wickham - Lifetime Benefits	976.50
Bill Pmt -Check	11/20/2018	5691	Bells Tree Service	Building Maintenance	1,975.00
Bill Pmt -Check	11/20/2018	5692	Buckmaster Office Solutions	Office Equipment	208.79
Bill Pmt -Check	11/20/2018	5693	Churchwell White, LLP	Legal Fees	15,745.50
Bill Pmt -Check	11/20/2018	5694	Coleman Engineering	Engineering	5,000.00
Bill Pmt -Check	11/20/2018	5695	Communication Systems Unlimited	Building Maintenance	89.00
Bill Pmt -Check	11/20/2018	5696	CoreLogic Solutions	Metro Scan	134.75
Bill Pmt -Check	11/20/2018	5697	Fechter & Company CPA	Audit Fees	1,082.00
Bill Pmt -Check	11/20/2018	5698	PG&E	Utilities	38.31
Bill Pmt -Check	11/20/2018	5699	Rio Linda Elverta Recreation & Park Dist	Meeting Expense	50.00
Bill Pmt -Check	11/20/2018	5700	Sacramento County Tax Collector	Permits & Fees	120.52
Bill Pmt -Check	11/20/2018	5701	Sacramento County Utilities	Utilities	113.70
Bill Pmt -Check	11/20/2018	5702	Sierra Chemical Company	Chemical Supplies	1,185.12
Bill Pmt -Check	11/20/2018	5703	Spok, Inc.	Field Communication	15.19
Bill Pmt -Check	11/20/2018	5704	Vulcan Materials Company	Distribution Supplies	511.15
Check	11/20/2018	5705	Postmaster	Postage	2,153.97
Liability Check	11/20/2018	EFT	QuickBooks Payroll Service	For PP Ending 11/15/18 Pay date 11/20/18	1,856.82
Liability Check	11/20/2018	EFT	Internal Revenue Service	Employment Taxes	540.80
Liability Check	11/20/2018	EFT	Employment Development	Employment Taxes	67.77
Liability Check	11/26/2018	EFT	Principal Financial	Employee Benefits	2,966.06
Total 10000 - Bank - Operating Account					274,285.20

**Rio Linda Elverta Community Water District
Other Accounts Expenditure Report
November 2018**

10100 - Security Deposits

Type	Date	Num	Payee	Memo	Amount
Check	11/20/2018	EFT	RLECWD - Operating Account	October 2018 Security Deposits Applied	230.00
10100 - Security Deposits					<u>230.00</u>

Type	Date	Num	Payee	Memo	Amount
Check	11/05/2018	EFT	RLECWD - Operating	CIP Expense Transfer: Refer to operating check numbers: 5687	8,611.00
10455 - Capital Improvement Reserve					<u>8,611.00</u>



Finance /Administrative Committee Agenda Item: 2

Date: December 10, 2018

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 November 2018.

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 November 30, 2018

ASSETS

Current Assets

Checking/Savings

100 · Cash & Cash Equivalents

10000 · Operating Account

10005 · Operating Fund 193,921.45

10010 · Operating Reserve Fund 250,000.00

Total 10000 · Operating Account 443,921.45

10100 · Trust/Security Deposit Account 44,122.00

10450 · Capital Improvement

10455 · Capital Improvement Fee Reserve 828,500.76

10460 · Vehicle Replacement Reserve 10,000.00

10465 · Cr6 Project 11,026.90

Total 10450 · Capital Improvement 849,527.66

10600 · LAIF GASB 45 16,156.16

Total 100 · Cash & Cash Equivalents 1,353,727.27

102 · Restricted Assets

102.1 · Restricted Capital Improvements

10700 · ZIONS Inv/Surcharge Reserve 493,222.66

Total 102.1 · Restricted Capital Improvements 493,222.66

102.2 · Restricted for Debt Service

10300 · Surcharge 1 Account 710,400.11

10325 · Community Business Bank 83,266.61

10350 · Umpqua Bank 36,930.84

10350 · Surcharge 2 Account 416,897.25

Total 102.2 · Restricted for Debt Service 1,247,494.81

Total 102 · Restricted Assets 1,740,717.47

Total Checking/Savings 3,094,444.74

Accounts Receivable 10,962.92

Other Current Assets

12000 · Water Utility Receivable 599,222.45

12200 · Accrued Revenue 0.00

12250 · Accrued Interest Receivable 2,532.19

15000 · Inventory Asset 96,793.78

16000 · Prepaid Expense 84,422.65

Total Other Current Assets 782,971.07

Total Current Assets 3,888,378.73

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 154.00

Total Other Assets 347,760.00

TOTAL ASSETS 19,083,227.20

Rio Linda Elverta Community Water District
Balance Sheet
As of November 30, 2018

LIABILITIES & EQUITY**Liabilities****Current Liabilities**

Accounts Payable	26,486.59
Credit Cards	2,679.40
Other Current Liabilities	528,444.52

Total Current Liabilities	557,610.51
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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	99,140.82
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

Total Long Term Liabilities	9,162,534.87
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Total Liabilities	9,720,145.38
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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	500,682.36

Total Equity	9,363,081.82
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TOTAL LIABILITIES & EQUITY	19,083,227.20
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Rio Linda Elverta Community Water District
Operating Profit & Loss Budget Performance
 November 2018

	<u>Annual Budget</u>	<u>Nov 18</u>	<u>Jul-Nov 18</u>	<u>% of Annual Budget</u>	<u>YTD Annual Budget Balance</u>
Ordinary Income/Expense					
Income					
Total 40000 · Operating Revenue	2,664,429.00	304,172.19	1,151,739.45	43.23%	1,512,689.55
41000 · Nonoperating Revenue					
41110 · Investment Revenue					
41112 · Interest Revenue	400.00	9.83	177.65	44.41%	222.35
Total 41110 · Investment Revenue	<u>400.00</u>	<u>9.83</u>	<u>177.65</u>	<u>44.41%</u>	<u>222.35</u>
41120 · Property Tax	70,000.00	0.00	1,946.32	2.78%	68,053.68
Total 41000 · Nonoperating Revenue	<u>70,400.00</u>	<u>9.83</u>	<u>2,123.97</u>	<u>3.02%</u>	<u>68,276.03</u>
Total Income	<u>2,734,829.00</u>	<u>304,182.02</u>	<u>1,153,863.42</u>	<u>42.19%</u>	<u>1,580,965.58</u>
Gross Income	2,734,829.00	304,182.02	1,153,863.42	42.19%	1,580,965.58
Expense					
60000 · Operating Expenses					
60010 · Professional Fees	163,331.00	24,119.10	79,675.60	48.78%	83,655.40
60100 · Personnel Services					
60110 · Salaries & Wages	665,414.00	57,778.11	244,042.00	36.68%	421,372.00
60150 · Employee Benefits & Expense	451,439.00	33,054.14	162,826.11	36.07%	288,612.89
Total 60100 · Personnel Services	<u>1,116,853.00</u>	<u>90,832.25</u>	<u>406,868.11</u>	<u>36.43%</u>	<u>709,984.89</u>
60200 · Administration	254,977.00	17,271.50	124,997.88	49.02%	129,979.12
64000 · Conservation	6,748.00	75.00	5,733.00	84.96%	1,015.00
65000 · Field Operations	428,175.00	22,484.80	186,462.74	43.55%	241,712.26
Total 60000 · Operating Expenses	1,970,084.00	154,782.65	803,737.33	40.80%	1,166,346.67
69000 · Non-Operating Expenses					
69010 · Debt Service					
69100 · Revenue Bond					
69105 · Principle	133,163.00	53,163.00	53,163.00	39.92%	80,000.00
69110 · Interest	65,726.00	33,260.30	33,260.30	50.60%	32,465.70
Total 69100 · Revenue Bond	<u>198,889.00</u>	<u>86,423.30</u>	<u>86,423.30</u>	<u>43.45%</u>	<u>112,465.70</u>
69125 · AMI Meter Loan					
69130 · Principle	46,818.00	0.00	23,228.99	49.62%	23,589.01
69135 · Interest	11,696.00	0.00	6,027.97	51.54%	5,668.03
Total 69125 · AMI Meter Loan	<u>58,514.00</u>	<u>0.00</u>	<u>29,256.96</u>	<u>50.00%</u>	<u>29,257.04</u>
Total 69010 · Debt Service	<u>257,403.00</u>	<u>86,423.30</u>	<u>115,680.26</u>	<u>44.94%</u>	<u>141,722.74</u>
69400 · Other Non-Operating Expense	2,000.00	0.00	0.00	0.00%	2,000.00
Total 69000 · Non-Operating Expenses	<u>259,403.00</u>	<u>86,423.30</u>	<u>115,680.26</u>	<u>44.60%</u>	<u>143,722.74</u>
Total Expense	<u>2,229,487.00</u>	<u>241,205.95</u>	<u>919,417.59</u>	<u>41.24%</u>	<u>1,310,069.41</u>
Net Ordinary Income	<u>505,342.00</u>	<u>62,976.07</u>	<u>234,445.83</u>		
Net Income	<u><u>505,342.00</u></u>	<u><u>62,976.07</u></u>	<u><u>234,445.83</u></u>		

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

	GENERAL		CONNECTIONS		CHROMIUM MITIGATION & NEW WELLS		VEHICLE REPLACEMENT	
BEGINNING FUND BALANCE	\$ 1,426,064.00	\$ 1,426,064.00	\$ 129,988.00	\$ 129,988.00	\$ (454,317.00)	\$ (454,317.00)	\$ -	\$ -
	Annual Budget	YTD Actual	Annual Budget	YTD Actual	Annual Budget	YTD Actual	Annual Budget	YTD Actual
FUNDING SOURCES								
Fund Transfers								
Operating Fund Transfers In	500,000.00	208,000.00	-	-	-	-	-	-
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-OPUS Bank	-	-	-	-	2,468,239.00	-	-	-
Investment Revenue	350.00	258.19	-	-	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR CIP PROJECTS	1,916,414.00	1,624,322.19	169,988.00	158,112.02	2,469,674.00	(454,317.00)	10,000.00	10,000.00
PROJECTS								
A · WATER SUPPLY								
A-1 · Well 10 - Cr6 Treatment	-	-	-	-	40,000.00	-	-	-
A-2 · Well 16	-	-	-	-	2,448,239.00	-	-	-
A-3 · Well 17	25,000.00	-	-	-	-	-	-	-
A-4 · Miscellaneous Pump Replacements	40,000.00	-	-	-	-	-	-	-
Total A · WATER SUPPLY	65,000.00	-	-	-	2,488,239.00	-	-	-
B · WATER DISTRIBUTION								
B-1 · System Valve Replacements	35,000.00	-	-	-	-	-	-	-
B-2 · Paving Replacements	25,000.00	-	-	-	-	-	-	-
B-3 · Service Replacements	30,000.00	-	-	-	-	-	-	-
B-4 · Large Meter Replacements	5,000.00	-	-	-	-	-	-	-
Total B · WATER DISTRIBUTION	95,000.00	-	-	-	-	-	-	-
M · GENERAL PLANT ASSETS								
M-1 · Ice Machine	3,500.00	2,803.96	-	-	-	-	-	-
M-2 · Billing Software Upgrade	25,000.00	30,138.50	25,000.00	-	-	-	-	-
Total M · GENERAL PLANT ASSETS	28,500.00	32,942.46	25,000.00	-	-	-	-	-
FO · PROJECTS FUNDED BY OTHERS								
TOTAL FO · PROJECTS FUNDED BY OTHERS	-	-	-	-	-	-	-	-
C · CONTINGENCY								
C-1 · Contingency (10% of Est A,B,M, & FO)	18,850.00	-	2,500.00	-	248,823.90	-	-	-
TOTAL BUDGETED PROJECT EXPENDITURES	207,350.00	32,942.46	27,500.00	-	2,737,062.90	-	-	-
ENDING FUND BALANCE	\$ 1,709,064.00	\$ 1,591,379.73	\$ 142,488.00	\$ 158,112.02	\$ (267,388.90)	\$ (454,317.00)	\$ 10,000.00	\$ 10,000.00



Finance /Administrative Committee Agenda Item: 3

Date: December 10, 2018

Subject: Comprehensive Annual Financial Report (CAFR)

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

Review the Comprehensive Annual Financial Report (CAFR) and recommend approval by the Board at the December 17th meeting.

Current Background and Justification:

The CAFR is a report that discloses data on the District's financial position and operations in a manner designed to enable the reader to gain an understanding of the District's financial activities. This report includes the independent auditor's report, management discussion, statistical data and compliance report. Several members of staff and management compiled the information being represented in this report and feel it fairly represents the financial position of the District.

Conclusion:

I recommend that the Finance/Adminin Committee recommend approval of the fiscal year 2017/2018 CAFR by the full Board of Directors at the December 17, 2018 meeting.



Rio Linda / Elverta Community Water District



Comprehensive

Annual Financial Report

For the Year Ended July 1, 2017 to June 30, 2018

**RIO LINDA/ELVERTA
COMMUNITY WATER DISTRICT**



Rio Linda, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**YEAR ENDING
JULY 1, 2017 - JUNE 30, 2018**

Prepared by
Timothy R. Shaw, General Manager

RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	i
Certificate of Achievement.....	v
List of District Officials.....	vi
Organization Chart.....	vii
Service Area.....	viii

FINANCIAL SECTION

Independent Auditor's Report.....	1
-----------------------------------	---

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion and Analysis.....	3
---	---

BASIC FINANCIAL STATEMENTS

Statements of Net Position.....	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statements of Cash Flows.....	11
Notes to the Basic Financial Statements.....	13

STATISTICAL SECTION

Description of Statistical Section.....	37
---	----

Financial Trends

Schedule of Net Position by Component.....	38
Schedule of Changes in Net Position.....	39

Revenue Capacity

Retail Water Rates.....	40
Water Sales by Type of Customer.....	41
Principal Rate Payers.....	42

Debt Capacity

Schedule of Debt Service.....	43
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RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2018

TABLE OF CONTENTS (Continued)

Ratios of Outstanding Debt by Type and Number of Connections.....	44
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics.....	45
Principal Employers.....	46
<u>Operating Information</u>	
Capital Assets.....	47
Operating Data.....	48
COMPLIANCE REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49



INTRODUCTORY SECTION



RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

P.O. BOX 400 • 730 L STREET
RIO LINDA, CALIFORNIA 95673
Phone: (916) 991-1000
www.rlecwd.com

November 28, 2018

The Board of Directors
Rio Linda/Elverta Community Water District

The Rio Linda/Elverta Community Water District hereby submits the Comprehensive Annual Financial Report (CAFR) for the fiscal year end June 30, 2018. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including disclosures, rest with management. To the best of our knowledge and belief the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial positions and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report includes the management discussion and analysis which should be read in conjunction with the transmittal letter. The District's management discussion and analysis can be found immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

District History and Service Description

The Rio Linda/Elverta Community Water District (RLECWD) was formed in 1948 after a public vote under County Water District Law (Water Code section 30000 et seq.). The District is governed by a Board of Directors that consists of five (5) members elected at large from throughout the District. The original purpose of the District was to have a public entity in place to install, improve, operate and to include Elverta and the surrounding areas and now encompasses approximately 17.8 square miles. The District has 10 full-time equivalent employees.

The District water supply and distribution facilities consist of 12 wells and 61.72 miles of distribution main. From these wells the District pumps approximately 2,700 acre-feet of water annually to its 4,636 customers. The production average is approximately 2.0 million gallons per day (MGD). The overall system capacity is currently 14.4 MGD.

Mission Statement

The District's mission statement is as follows: "The mission of the Rio Linda/Elverta Community Water District is to provide, in a manner responsive to District customers, a water supply that is adequate, safe and potable (according to state and federal standards) and that meets both current and future needs."

ECONOMIC CONDITION AND OUTLOOK

Rio Linda and Elverta are unincorporated areas in northern Sacramento County with primarily residential bedroom communities and some commercial enterprises within its boundaries. The District is only 20% built out.

In prior years, foreclosures impacted District growth. The District was also under a State mandated Compliance Order to resolve water pressure and supply challenges, which resulted in a building moratorium halting future growth in our District. In order to lift this moratorium, the District had to increase source capacity. The construction of Well #15 was completed in October 2012 and the L St. Reservoir and Pump Station was completed in February 2015. These met the requirements of the District's compliance order and the State Water Resources Control Board lifted the District's moratorium effective January 2015.

The Elverta Specific Plan (ESP) had been delayed, due to the moratorium and a downturn in new home sales. Many of the impediments to development in the ESP have been addressed. With the economic upturn, plans to build over 4,500 homes, commercial and institutional facilities may be realized if the Sacramento County transportation funding issues can be addressed. Accordingly, the District has adopted a revised rate structure and capacity fee programs to meet the needs of anticipated development.

Significant Projects and Future Plans

Infrastructure and Water Delivery

With the passage of SB 385, the Maximum Contaminant Limit (MCL) for Hexavalent Chromium (Cr6) was set at to be 10 parts per billion (ppb or micrograms per liter). Consequently, the District has five wells in the District that do not meet the 10-ppb MCL for Hexavalent Chromium. Getting all wells in compliance with the new standard became a top priority. A compliance plan was submitted to the State Water Resources Control Board to provide treatment, as well as, drill new wells to mitigate the Cr6 issue. The District has conducted an assessment, and it has determined that it will need approximately \$9.3 million in funding to comply with the 10-ppb Hexavalent Chromium MCL. To be proactive, the District completed a Prop. 218 rate study. The rate study approved in June 2016 included a surcharge of \$7.90 bi-monthly and will increase to \$15.80 by 2018 to help fund the Cr6 treatment.

On May 31, 2017 the Sacramento Superior Court invalidated the state's 10-ppb Hexavalent Chromium MCL. The court ruled that the state's promulgation of the new Hexavalent Chromium limit was inappropriate due to inadequately evaluating the cost of compliance. The state suspended the Hexavalent Chromium limit in August 2017, with the stipulation that the state will continue to work toward establishing a Hexavalent Chromium MCL. In a May 2018 presentation to the California Water Association, the Deputy Director of the State Water Resources Control Board established the Hexavalent Chromium MCL economic feasibility and MCL implementation are the top two priorities.

In September of 2016, the District was awarded Prop 84 funding in the amount of \$530,000 for Well 10 Cr6 Treatment Mitigation. The District procured a loan through Opus Bank for \$3.8 million on March 1, 2018 to fund two Hexavalent Chromium mitigation projects.

In addition, the District is working with other agencies to obtain a regional surface water supply. The River Arc Project was originally suggested by our agency as a source of surface water for the Elverta Specific Plan. With the recent drought emergency, other agencies were also interested in the project in order to provide water to their specific plans. As a consideration, Folsom Lake is also being looked at as a viable option. The ability to provide a source(s) of surface water to the region is of high importance to all of the participants in the projects for conjunctive use planning, climate change mitigation, environmental benefits, and improved Bureau of Reclamation operation flexibility.

Customer Service and Administration

Currently, the existing office space does not meet building codes or accessibility requirements. Likewise, it is inadequately ventilated and worn beyond economic repair. As a result, new facility plans have been designed and will be constructed with future capacity fees.

Water Conservation

Conservation is an integral component of the District's projects. Conservation was previously governed by state and federal programs in conjunction with the California Urban Water Conservation Council (CUWCC). However, new mandatory water efficiency legislation adopted by the state has rendered the CUWCC MOU obsolete. The CUWCC MOU has been dissolved. The District, as with all urban water purveyors in California, will shift its conservation efforts to be compliant with the requirements of SB-606. The District is 100 % metered which aids in the evaluation and monitoring of customer usage. A future rate structure revision may be necessary to implement the minimum water efficiency requirements required by SB-606.

Regional Planning

The District is an active member of both the Regional Water Authority (RWA) and the Sacramento Groundwater Association (SGA). These agencies provide an umbrella organization for region-wide water efficiency planning, groundwater monitoring and grant funding programs for its members. In addition, the District continues to collaborate with several agencies to realize conjunctive use planning.

Financial Information

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to protect assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting practices. The internal control structure is designed to (1) provide reasonable, but not absolute, assurance that objectives are met, (2) transactions are executed in accordance with management's authorization, and (3) that transactions are recorded properly. The concept of reasonable assurance recognizes (1) that the cost of the control should not exceed the benefits likely to be derived and (2) that the evaluation of cost and benefits requires estimates and judgment by management.

Budgetary Control

The District prepares a budget as a matter of policy and financial control. It is considered a management tool for projecting and measuring revenues and expenses detailing operating expenses, capital infrastructure investments, debt obligations, and designation of reserves. For the year ending June 30, 2018, the Budget was adopted by the Board at the June 19, 2017 public hearing. The following items are reviewed as part of preparing the budget:

- Assess current conditions and needs, including system quality and safety;
- Develop goals, objections, policies, and plans based upon the assessment;
- Prioritize projects and develop work programs, based upon short-term and long-term cost effectiveness, and implement those plans and policies to evaluate their effectiveness and shortcomings.

The budget is prepared on a cash basis, which differs from the basis used in preparing financial statements in conformity with generally accepted accounting principles (GAAP). The Finance committee works through special meetings or workshops, which provide an extensive review of the proposed budget. The workshops are open to the public and the public is encouraged to participate. The proposed budget is presented to the Board of Directors at a regular meeting for comments, suggestions, and feedback.

The District follows an open budget process. This means that the District will notify customers in advance to provide budget information prior to the public hearing date. Public inquiries are responded to either in writing or verbally and are designed to educate and inform District customers about the District's financial operations and requirements. Generally, the District will adopt its budget at a public hearing.

Other Information

Independent Audit

California Government Code Section 26909 requires independent annual audits to be conducted for special districts. Fechter & Company has been selected to conduct the annual audit. The auditor's report is included in the financial section of the Comprehensive Annual Financial Report.

The preparation of the comprehensive annual financial report requires the dedicated efforts of several staff members. We wish to express our appreciation to all staff who contributed to this report. Additionally, we wish to express our gratitude to the Rio Linda / Elverta Community Water District Board of Directors for their interest and support.

Sincerely,

Timothy R. Shaw
General Manager
Rio Linda/Elverta Community Water District



Government Finance Officers Association

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Reporting**

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

BOARD OF DIRECTORS

Mary Harris, President

Mary Henrici, Vice-President

Brent Dills, Director

John Ridilla, Director

Paul Green, Director

EMPLOYEES

Tim Shaw, General Manager

Pat Goyet, Operations Superintendent

Renita Lehman, Admin. Assistant

Deborah Denning, Bookkeeper

Kimberly Bassett, Customer Service Tech I

Sara Cater, Conservation Coordinator

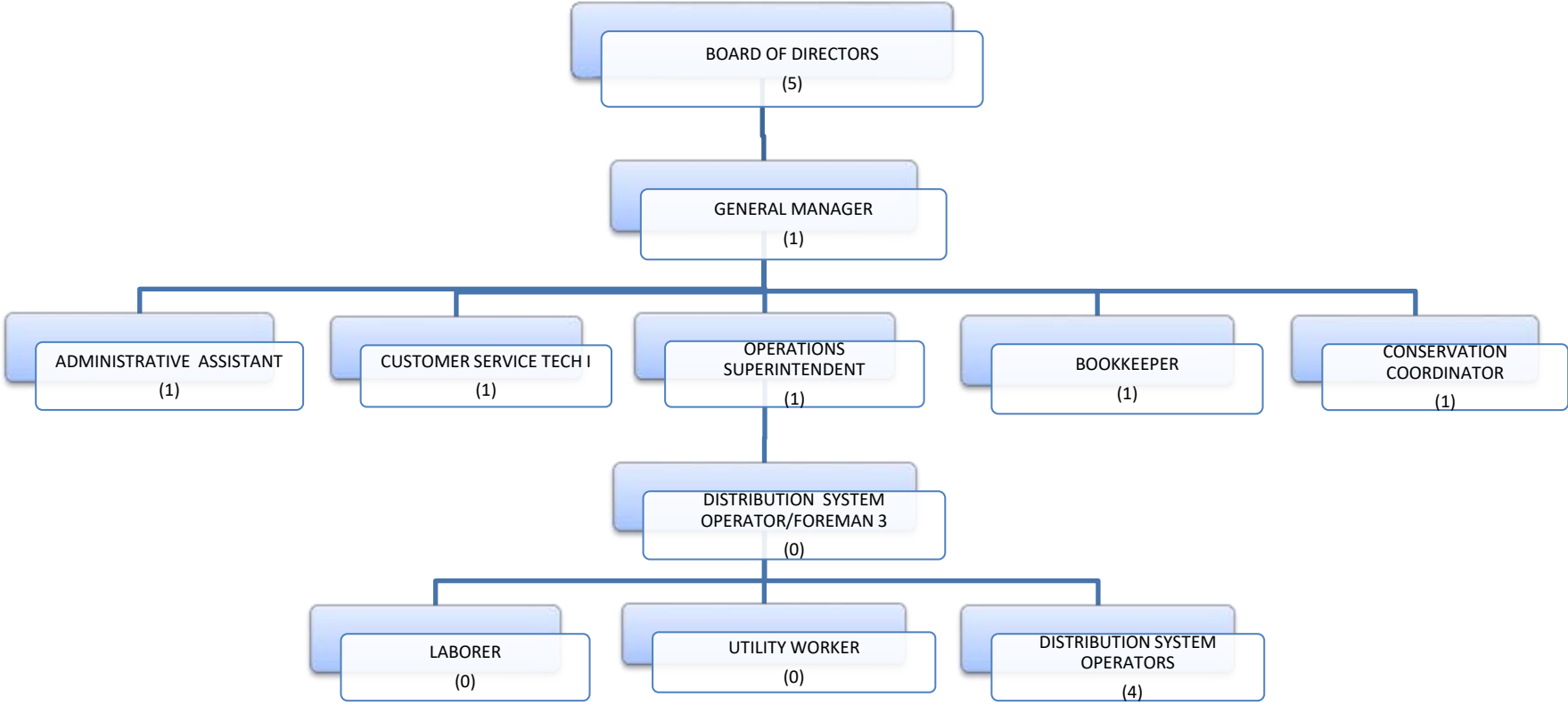
Vincent Vigallon, Dist. System Op 3

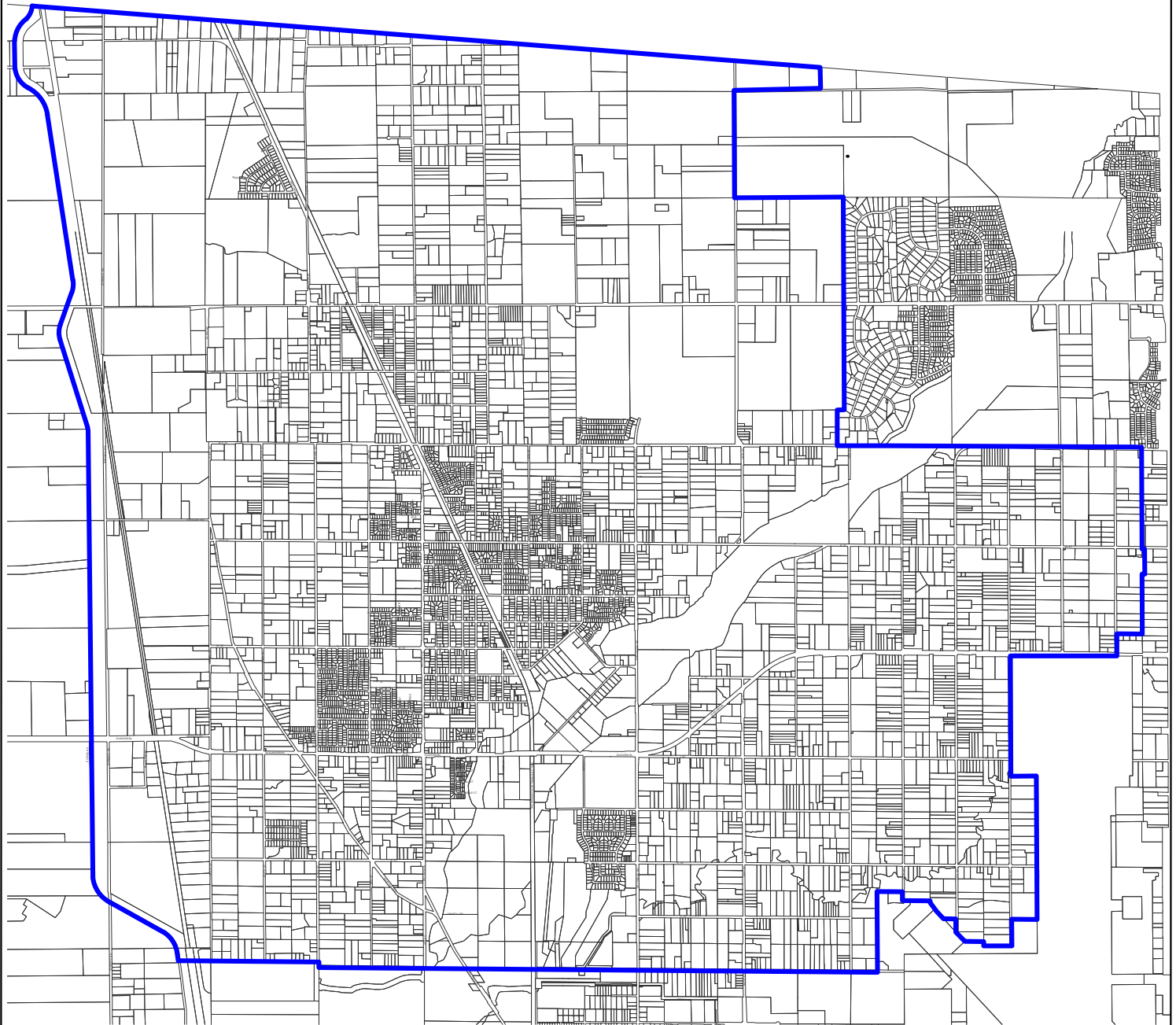
Chris Bell, Dist. System Op 3

Justin Davis, Dist. System Op 3

Frank Chacon, Dist. System Op 1

RIO LINDA/ELVERTA CWD
ORGANIZATION CHART





**Rio Linda / Elverta
Community Water District**
730 L Street
Rio Linda, CA 95673

Exhibit A

MAY 2018

**RLECWD SERVICE AREA BOUNDARY MAP
UPDATED MAY 21, 2018**





FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rio Linda/Elverta Community Water District
Rio Linda, California

Report on the Financial Statements

We have audited the accompanying financial statements of Rio Linda/Elverta Community Water District (the District), which comprise the balance sheet as of June 30, 2018 and 2017, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2018, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Implementation of New Accounting Standards

As disclosed in the Note 1 of the financial statements, the County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year 2018. Our opinion is not modified with respect to this matter.

Revised Report

We originally issued our report on the financial statements on October 29, 2018. In the original report, we made a reference to a report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts, and grant agreements, and other matters. This report on internal control was omitted from the annual audit report. However, the reference to the report was not removed from the Independent Auditor's Report. This revised report removes that reference.

Fechter & Company
Certified Public Accountants



Sacramento, California
December 7, 2018



MANAGEMENTS'S DISCUSSION AND ANALYSIS

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2018 and 2017

The management of the Rio Linda/Elverta Water District (District) presents this Management's Discussion and Analysis to achieve two goals:

To comply with the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34) that are designed to provide more and easier-to-understand information about the finances of local government agencies such as the District; and,

To provide readers with narrative information that may help in understanding and interpreting the information presented in the District's financial statements for the fiscal year ended June 30, 2018 (FY 2017-18).

Questions or comments regarding this Management's Discussion and Analysis may be directed to the District General Manager via the following methods:

Mailing address: Rio Linda/Elverta Community Water District
730 L St.
Rio Linda, California 95673

Telephone: (916) 991-1000
E-mail: gm@rlecwd.com

Financial Highlights

The following items are, in the opinion of District management, among the most significant in assessing the District's overall financial activities during FY 2017-18 and its financial position at the close of FY 2017-18.

- ❖ The District's assets exceeded its liabilities by \$8,556,279. The District's net investment in capital assets, \$7,519,910, is composed of the capital assets of the District net of related debt – the water transmission and distribution system, water production facilities, land, buildings and equipment belonging to the District. Unrestricted net assets totaled \$642,616, a decrease of \$177,046 from the end of FY 2016-17.
- ❖ The District's operating revenues were \$2,637,352 and non-operating revenues were \$877,763, totaling \$3,515,115. Water sales to customers totaled 71% of all revenues.
- ❖ The District's total net long-term liabilities were \$9,120,964 and includes the Water Revenue Refunding Bond, State Revolving Fund Loan, Water Meter Replacement Loan, Installment Sales Agreement, Unearned revenue, OPEB Liability, and Net Pension Liability.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis
June 30, 2018 and 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: (1) Management's Discussion and Analysis; and (2) the financial statements, which includes the notes to financial statements.

The financial statements provide both long-term and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

The Statement of Net Position presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis
June 30, 2018 and 2017

Statement of Net Position

As of June 30, 2018, the total net position of the District was \$8,862,313. The following table summarizes assets, liabilities and net position at June 30, 2018, 2017, and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets, Unrestricted	\$ 2,008,366	\$ 2,236,562	\$ 2,222,310
Restricted Cash and Cash Equivalents	1,517,981	1,236,183	1,046,376
Capital assets, net	<u>14,847,090</u>	<u>14,435,341</u>	<u>14,484,419</u>
Total Assets	<u>18,373,437</u>	<u>17,908,086</u>	<u>17,753,105</u>
Total Deferred Outflows	<u>347,606</u>	<u>297,772</u>	<u>95,128</u>
Total Assets and Deferred Outflows	<u>18,721,043</u>	<u>18,205,858</u>	<u>17,848,233</u>
Current Liabilities	696,194	896,306	616,139
Long-term Liabilities	<u>9,120,964</u>	<u>9,050,744</u>	<u>9,468,641</u>
Total Liabilities	<u>9,817,158</u>	<u>9,947,050</u>	<u>10,084,780</u>
Total Deferred Inflows	<u>41,572</u>	<u>40,436</u>	<u>65,963</u>
Total Liabilities and Deferred Inflows	<u>9,858,730</u>	<u>9,987,486</u>	<u>10,150,743</u>
Net Position			
Net investment in capital assets	7,519,910	6,698,923	6,292,818
Restricted debt service reserves	699,787	699,787	699,145
Unrestricted	<u>642,616</u>	<u>819,662</u>	<u>705,527</u>
Total Net Position	<u>\$ 8,862,313</u>	<u>\$ 8,218,372</u>	<u>\$ 7,697,490</u>

The District's net position reflects Debt Service restrictions imposed as its loan requirements. Below is a summary analysis of changes:

<u>Summary Analysis of Changes</u>	<u>2018 & 2017</u>	<u>2017 & 2016</u>
Total Assets and Deferred Outflows	2.83%	2.00%
Total Liabilities and Deferred Inflows	(1.29%)	(1.61%)
Total Net Position	7.84%	6.77%

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2018 and 2017

Changes in Net Position

The following table summarizes the changes in net position for the fiscal year ended June 30, 2018, 2017, and 2016:

	2018	2017	2016
Operating Revenues	\$ 2,637,352	\$ 2,437,489	\$ 2,300,359
Operating Expenses:			
Personnel services	1,061,163	986,515	733,073
Professional services	177,479	175,449	138,340
Field operations	379,372	368,142	356,657
Conservation	5,946	11,544	14,545
Administration	230,626	228,942	218,905
Depreciation and Amortization	654,174	624,455	609,090
Total Operating Expenses	2,508,760	2,395,047	2,070,610
Net Income from Operations	128,592	42,442	229,749
Non-Operating Revenues	877,763	858,880	591,551
Non-Operating Expenses	(254,684)	(445,496)	(286,305)
Net Non-Operating Revenues	623,079	413,384	305,246
Net income before capital contributions	751,671	455,826	534,995
Capital Contributions			
Capacity fees	129,808	36,650	48,420
Contributed assets	22,833	28,593	20,222
Total Capital Contributions	152,641	65,243	68,642
Change in net position	904,312	521,069	603,637
Net position, beginning of year	8,218,372	7,697,490	7,105,854
Prior period adjustment	(260,371)	(187)	(12,001)
Beginning net position, restated	7,958,001	7,697,303	7,093,853
Net position, end of year	\$ 8,862,313	\$ 8,218,372	\$ 7,697,490

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2018 and 2017

Changes from Fiscal Year 2016/2017 to Fiscal Year 2017/2018:

Total net position increased \$643,941 or 7.84% from fiscal year 2017 to 2018.

Total operating revenues increased \$199,863 or 8.20% from fiscal year 2017 to 2018, which is about the levels for 2014 and 2015. Operating revenue exceeded operating expenses by \$128,592. Operating expenses increased by \$113,713, a 4.75% increase from fiscal year 2017 to 2018.

Changes from Fiscal Year 2015/2016 to Fiscal Year 2016/2017:

Total net position increased \$520,882 or 6.77% from fiscal year 2016 to 2017.

Total operating revenues increased \$137,130 or 5.96% from fiscal year 2016 to 2017. Which is about the levels for 2014 and 2015 as water consumption has "bounced" back slightly. Operating revenue exceeded operating expenses by \$42,442. Operating expenses increased by \$324,437, a 15.67% increase from fiscal year 2016 to 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District's net investment in capital assets was \$7,519,910 including: the water transmission and distribution system (underground pipelines, water services, water meters, fire hydrants, and other components); water production facilities (groundwater wells); land; buildings and both mobile and fixed equipment.

Additional information on the District's capital assets can be found in Note 3, Capital Assets, of the notes to the basic financial statements.

Debt Administration

The District continues to meet its debt obligations under its Water Revenue Refunding Bonds. Through scheduled debt service payments during 2017-18, principal on its collective debt was reduced by \$129,077 during the year. The District's total debt from its 2016 issuance now stands at approximately \$2.22 million.

The District continues to meet its debt obligations to the State Water Resource Control Board State Revolving Fund (SRF) Loan through scheduled debt service payments during 2017-18, principal on its collective debt was reduced by \$333,901 during the year. The District's total debt from the SRF Loan now stands at approximately \$4.71 million.

The District continues to meet its debt obligation called the Meter Replacement Loan for the AMR/AMI Meter Program capital improvement project. Principal on its collective debt was reduced by \$45,399 during the year. The District's total debt from the Meter Replacement Loan now stands at approximately \$389,304.

During FY 17-18, the District entered into an installment sale agreement with Opus Bank for \$3.87 million. However, as of June 30, 2018, the District had drawn down only \$91,141 on the agreement. The first principal payment of \$90,000 was paid on October 1, 2018.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2018 and 2017

Compensated absences, composed of vacation hours earned by employees that are payable upon termination or retirement, are valued at \$22,142 at the end of 2017-18, an increase of \$563 from the 2016-17 year-end amount of \$21,579.

Additional information on debt activity can be found in Note 4, Long-Term Liabilities, of the notes to the basic financial statements.

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

The District adopted a budget for FY 2018-19 (\$2.44 M revenue and \$2.39 M expenses) with a 9.5% increase in income, a 3.5% increase in expense, and a 35.6% increase in net income compared with the FY 2017-18 Operating Budget.

The District implemented a multi-year Water Rate adjustment and Capacity Fee increase in calendar year 2016 to fund repairs/renovation projects addressing aging infrastructure and regulatory changes. This included Chromium 6 (Cr6) compliance and adding new supply facilities to consolidate and replace less efficient aging wells. In addition, these funds will assist to address operating costs of the District, while maintaining financial reserves to comply with debt covenants.

A significant portion of the District's budget continues to be repayment of 15-year long-term debt consolidated financing of Water Revenue Bonds in the amount of \$198,158 per year.

In addition, the District is currently paying down its twenty-year term State Revolving Fund (SRF) construction loan in the amount of \$7,179,073. \$1.5 million was paid on the principal with surcharge money the District had collected from our customers over the years. This principal prepayment saves the District \$600,000 in interest over the life of the loan. There was also an additional payment of \$230,677 in FY 2017-18. Total annual payments are approximately \$461,354 per year for the next 14 years.

In September 2017, the District was awarded Prop 84 funding in the amount of \$530,000 for Well 10 Cr6 Treatment Mitigation. The District had also submitted Pre-applications to the State for Prop 1 funding for well 15 and well 2a Cr6 Treatment in the amounts of \$965,625 and \$540,000, respectively. The District did not receive funding commitments for these projects and is considering alternatives.

Growth remains on the horizon, but not in the financial planning range. Although financial contributions from the development community will directly off-set some planning and engineering costs during FY 2018-19. Additionally, infill projects and some small commercial development is likely to continue if the economic conditions remain favorable. Rio Linda is strategically located directly between the large new commercial development in the Airport Industrial Park and the McClellan Business park. Both areas are bringing additional jobs into the region which adds to housing demand in the District. Sacramento County has recently approved increased density for a project within the District boundaries, yet there are no financial agreements or definitive plans in place. It is likely that any significant projects which would increase the number of connections or water demand will not occur until FY 2021-22.



BASIC FINANCIAL STATEMENTS

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH COMPARATIVE DATA FOR JUNE 30, 2017)

	2018	2017
ASSETS		
Current Assets:		
Cash and investments	\$ 1,382,434	\$ 1,634,434
Accounts receivable	484,826	433,175
Accrued interest receivable	1,633	1,399
Inventory	96,794	132,852
Prepaid expenses	42,679	34,702
Total current assets	2,008,366	2,236,562
Restricted Assets		
Restricted cash and investments	1,517,981	1,236,183
Capital Assets, Net		
Capital assets	14,847,090	14,435,341
TOTAL ASSETS	18,373,437	17,908,086
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	347,606	297,772
LIABILITIES		
Current Liabilities:		
Accounts payable	143,915	213,542
Accrued salaries and benefits	27,105	30,683
Accrued interest payable	11,087	11,730
Deposits payable	92,532	61,138
Unearned revenue	49,255	49,255
Current portion of compensated absences liability	22,142	21,579
Current portion of long-term liabilities	440,158	340,362
Total current liabilities	786,194	728,289
Long-term Liabilities:		
Unearned revenue	755,052	804,307
Bonds and loans payable	6,980,008	7,489,040
OPEB liability	262,349	22,453
Net pension liability	1,033,555	902,961
TOTAL LIABILITIES	9,817,158	9,947,050
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	33,279	40,436
Deferred OPEB inflows	8,293	-
TOTAL DEFERRED INFLOWS OF RESOURCES	41,572	40,436
NET POSITION		
Net investment in capital assets	7,519,910	6,698,923
Restricted for debt service reserves	699,787	699,787
Unrestricted	642,616	819,662
TOTAL NET POSITION	\$ 8,862,313	\$ 8,218,372

The accompanying notes are an integral part of these financial statements.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
Operating revenues:		
Water sales	\$ 2,499,949	\$ 2,289,627
Account service charges	102,010	102,660
Other water service fees	35,393	45,202
Total operating revenues	2,637,352	2,437,489
Operating expenses:		
Personnel services	1,061,163	986,515
Professional services	177,479	183,207
Field operations:		
Transmission and distribution	96,154	101,896
Pumping	187,256	192,760
Transportation	16,660	14,869
Treatment	17,487	16,579
Other	61,815	42,038
Conservation	5,946	11,544
Administration	230,626	221,184
Depreciation	654,174	624,455
Total operating expenses	2,508,760	2,395,047
Operating income	128,592	42,442
Non-operating revenues and (expenses):		
Surcharge	743,152	729,739
Interest income	3,703	3,935
Property tax	81,653	75,951
Rental income	49,255	49,255
Loss on disposition of assets	(26,050)	(14,048)
Interest expense	(209,540)	(224,195)
Other non-operating expenses	(19,094)	(207,253)
Total non-operating revenues and (expenses)	623,079	413,384
Income before capital contributions	751,671	455,826
Capital Contributions		
Capacity fees	129,808	36,650
Contributed assets	22,833	28,593
Total capital contributions	152,641	65,243
Change in net position	904,312	521,069
Beginning net position	8,218,372	7,697,490
Prior period adjustment	(260,371)	(187)
Beginning net position, restated	7,958,001	7,697,303
Ending net position	\$ 8,862,313	\$ 8,218,372

The accompanying notes are an integral part of these financial statements.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,617,095	\$ 2,467,325
Payments to suppliers	(834,969)	(711,526)
Payments to employees	<u>(987,307)</u>	<u>(905,544)</u>
Net cash provided by operating activities	<u>794,819</u>	<u>850,255</u>
Cash Flows from non-capital financing activities:		
Property taxes received	<u>81,653</u>	<u>75,951</u>
Net cash provided by non-capital financing activities	<u>81,653</u>	<u>75,951</u>
Cash flows from capital and related financing activities:		
Surcharge revenue received	743,152	729,739
Capacity fees	129,808	36,650
Payments on long-term debt	(508,377)	(493,211)
Purchase and construction of capital assets	(1,084,590)	(561,019)
Abandonment of well project	(19,094)	(207,253)
Proceeds from the issuance of long-term debt	99,141	-
Interest and fees paid on long-term debt	<u>(210,183)</u>	<u>(224,817)</u>
Net cash used by capital and related financing activities	<u>(850,143)</u>	<u>(719,911)</u>
Cash flows from investing activities:		
Investment income received	<u>3,469</u>	<u>3,803</u>
Net cash provided by investing activities	<u>3,469</u>	<u>3,803</u>
Net increase in cash and cash equivalents	29,798	210,098
Cash and cash equivalents, beginning of year	<u>\$ 2,870,617</u>	<u>\$ 2,660,519</u>
Cash and cash equivalents, end of year	<u>\$ 2,900,415</u>	<u>\$ 2,870,617</u>
Cash and cash equivalents consist of the following:		
Unrestricted	\$ 1,382,434	\$ 1,634,434
Restricted	<u>1,517,981</u>	<u>1,236,183</u>
	<u>\$ 2,900,415</u>	<u>\$ 2,870,617</u>

The accompanying notes are an integral part of these financial statements.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 128,592	\$ 42,442
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	654,174	624,455
Changes in assets and liabilities:		
Accounts receivable	(51,651)	30,860
Inventory	36,058	(25,815)
Prepaid expenses	(7,977)	1,126
Accounts payable	(69,627)	97,240
Accrued salaries and benefits	(3,578)	1,487
Deposits payable	31,394	(1,024)
Compensated absences	563	5,219
Other post employment benefits asset/liability	(12,182)	10,517
Net pension liability	89,053	63,748
	\$ 794,819	\$ 850,255
 Supplemental Disclosure of Non-Cash Activities		
Donated capital assets	\$ 22,833	\$ 28,593

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rio Linda/Elverta Community Water District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In addition, the District applies Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

Reporting Entity: The District was formed on November 9, 1948, and provided water and sewer services. Sewer services were transferred to Sacramento County in 1976. The District no longer provides sewer service. The District currently provides domestic water service and fire flows to approximately 4,635 metered accounts, including procurement, quality, and distribution. The District is governed by a Board of Directors consisting of five directors elected by residents of the District.

Basis of Presentation – Fund Accounting: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represent the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted, and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Earned but unbilled water services are accrued as revenue.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting: (continued)

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principle operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

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

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include bank deposits, Local Agency Investment Fund (LAIF), an investment pool managed by the State of California, and money market mutual funds.

Restricted Assets: Certain proceeds of the District's long-term debt are classified as restricted investments on the balance sheet because their use is limited by applicable debt covenants and ordinances. In addition, proceeds from the surcharge levied on customer accounts are restricted for capital improvements. Certain other amounts received by the District are restricted for other purposes.

Investments: Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Inventory: Inventory consists primarily of materials used in the construction and maintenance of the water distribution facilities and is valued on a first-in, first-out basis.

Capital Assets: Capital assets are recorded at historical cost. Donated assets are valued at acquisition value on the date received. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the asset construction. Depreciation is calculated using the straight-line method over estimated useful lives of 8 to 60 years for transmission and distribution and 3 to 50 years for general plant assets.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets: (continued)

Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with an initial cost of more than \$1,500 and an estimated useful life in excess of two years. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Accounts Receivable: The District issues water invoices bi-monthly based on meter readings. Delinquent water invoices may have a lien placed on the property. The District does not provide for an allowance for uncollectible accounts due to the lien process.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category. Please refer to Note 7 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category. Please refer to Notes 7 and 8 for a detailed listing of the deferred inflows of resources.

Unearned Revenues: Unearned revenue represents funds received for future rental income on various cell tower leases.

Contributed Facilities: The District receives facilities (hydrant, pipes, valves, etc.) from developers resulting from developers preparing the sites to connect to the District. The District records these items as capital assets and depreciates them over their estimated useful life.

Property Taxes: Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Sacramento levies, bills, and collects property taxes and special assessments for the District. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest and

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes: (continued)

penalties. Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on July 1. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

Compensated Absences: The District has a policy whereby employees can accrue up to a maximum of 240 hours of vacation leave. All accrued vacation leave will be paid to the employee on termination of employment. Accumulated unpaid vacation leave is accrued when earned. Employees accrue sick leave, but any remaining balance at termination of employment is not paid out to the employee; thus, the District does not accrue a liability for sick leave, except for those that have contracts that specifically state that sick leave will be paid out upon termination.

New Accounting Pronouncements: During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as June 30, 2018 and 2017, are classified in the accompanying financial statements as follows:

	2018	2017
Cash and cash equivalents	\$ 1,382,434	\$ 1,634,434
Restricted cash and investments	1,517,981	1,236,183
Total Cash and Investments	\$ 2,900,415	\$ 2,870,617

Cash and investments as of June 30, 2018 and 2017, consisted of the following:

	2018	2017
Deposits with financial institutions	\$ 2,392,798	\$ 2,363,783
Total Cash	2,392,798	2,363,783
Investment in Local Agency Investment Fund (LAIF)	15,993	15,806
Held by Bond Trustee:		
Money market mutual fund	65,127	7,719
Negotiable certificates of deposits	377,386	433,640
Government agency securities	49,111	49,669
Total Investments	507,617	506,834
Total Cash and Investments	\$ 2,900,415	\$ 2,870,617

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Investment Policy: California statutes authorize districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized by the District’s investment policy and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The District’s investment policy is more restrictive than the California Government Code, as it limits the length of maturity and/or the maximum percentage at the portfolio of several investment types. Where there is a difference, the table presents the more restrictive requirement.

This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy. During the year ended June 30, 2018, the District’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Investment in One Issuer
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	75%	None
State of California obligations	None	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	180 days	20%	10%
Negotiable Certificates of Deposits	5 years	20%	None
Repurchase Agreements	180 days	20%	None
Local Agency Bonds	None	None	None
Medium Term Corporate Notes	5 years	25%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
LAIF	N/A	\$50m	None
Bank Savings Account	N/A	25%	None

* Excluding amounts held by the bond trustee that are not subject to California Government Code restrictions.

The District complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made, and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Investments Authorized by Debt Agreements: Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The Water Revenues Refunding Bond agreements contain certain provisions that address interest rate risk and credit risk, but not concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair value of the District’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

	<u>Total</u>	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>
Local Agency Investment Fund	\$ 15,993	\$ 15,993	\$	\$
Held by Bond Trustee:				
Money market mutual fund	65,127	65,127		
Negotiable certificates of deposits	377,386	226,483	49,197	101,706
Government agency securities	49,111		49,111	
Total Investments	<u>\$ 507,617</u>	<u>\$ 307,603</u>	<u>\$ 98,308</u>	<u>\$ 101,706</u>

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

	<u>Minimum Legal Rating</u>	<u>Total</u>	<u>Ratings as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund	N/A	\$ 15,993	\$	\$ 15,993
Held by Bond Trustee:				
Money market mutual fund	N/A	65,127		65,127
Negotiable certificates of deposits	N/A	377,386		377,386
Government agency securities	A	49,111	49,111	
Total Investments		<u>\$ 507,617</u>	<u>\$ 49,111</u>	<u>\$ 458,506</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the carrying amount of the District’s deposits were \$2,900,415 and the balances in financial institutions were \$2,890,419. Of the balance in financial institutions, \$1,668,714 was covered and \$1,221,705 was not covered by federal depository insurance. As of June 30, 2018, District investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

<u>Reported Investment Type</u>	<u>Amount</u>
Money market mutual funds	\$ 65,127
Negotiable certificates of participation	377,386
Government agency securities	49,111

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements June 30, 2018 and 2017

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Disposals	Transfers/ Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 496,673	\$	\$	\$	\$ 496,673
Construction in progress	<u>637,767</u>	<u>686,561</u>	<u></u>	<u>(74,222)</u>	<u>1,250,106</u>
Total Capital Assets not being depreciated	<u>1,134,440</u>	<u>686,561</u>	<u></u>	<u>(74,222)</u>	<u>1,746,779</u>
Capital assets being depreciated:					
Water System Facilities	20,562,699	298,289	(218,150)	74,222	20,717,060
General plant assets	606,507	107,122	(862)		712,767
Intangible assets	<u>373,043</u>	<u></u>	<u></u>	<u></u>	<u>373,043</u>
Total capital assets being depreciated	<u>21,542,249</u>	<u>405,411</u>	<u>(219,012)</u>	<u>74,222</u>	<u>21,802,870</u>
Less accumulated depreciation for:					
Water System Facilities	(7,569,537)	(588,402)	192,101		(7,965,838)
General plant assets	(444,099)	(49,062)	862		(492,299)
Intangible assets	<u>(227,712)</u>	<u>(16,710)</u>	<u></u>	<u></u>	<u>(244,422)</u>
Total accumulated depreciation	<u>(8,241,348)</u>	<u>(654,174)</u>	<u>192,963</u>	<u></u>	<u>(8,702,559)</u>
Total capital assets being depreciated, net	<u>13,300,901</u>	<u>(248,763)</u>	<u>(26,049)</u>	<u>74,222</u>	<u>13,100,311</u>
Capital assets, net	<u>\$ 14,435,341</u>	<u>\$ 437,798</u>	<u>\$ (26,049)</u>	<u>\$</u>	<u>\$ 14,847,090</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 3: CAPITAL ASSETS – CONTINUED

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Disposals	Transfers/ Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 496,673	\$	\$	\$	\$ 496,673
Construction in progress	588,994	481,993		(433,220)	637,767
Total Capital Assets not being depreciated	<u>1,085,667</u>	<u>481,993</u>		<u>(433,220)</u>	<u>1,134,440</u>
Capital assets being depreciated:					
Water System Facilities	20,039,978	89,501		433,220	20,562,699
General plant assets	594,236	18,119	(5,848)		606,507
Intangible assets	403,145		(30,102)		373,043
Total capital assets being depreciated	<u>21,037,359</u>	<u>107,620</u>	<u>(35,950)</u>	<u>433,220</u>	<u>21,542,249</u>
Less accumulated depreciation for:					
Water System Facilities	(7,003,110)	(566,240)		(187)	(7,569,537)
General plant assets	(408,441)	(41,506)	5,848		(444,099)
Intangible assets	(227,056)	(16,709)	16,053		(227,712)
Total accumulated depreciation	<u>(7,638,607)</u>	<u>(624,455)</u>	<u>21,901</u>	<u>(187)</u>	<u>(8,241,348)</u>
Total capital assets being depreciated, net	<u>13,398,752</u>	<u>(516,835)</u>	<u>(14,049)</u>	<u>433,033</u>	<u>13,300,901</u>
Capital assets, net	<u>\$ 14,484,419</u>	<u>\$ (34,842)</u>	<u>\$ (14,049)</u>	<u>\$ (187)</u>	<u>\$ 14,435,341</u>

Depreciation expense in the amount of \$654,174 and \$624,455 was recorded for the years ended June 30, 2018 and 2017, respectively, and is included with depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 4: LONG-TERM LIABILITIES

2015 Water Revenue Refunding Bonds: On April 1, 2015, the District entered into a loan agreement with Umpqua Bank to issue Series 2015 Water Revenue Refunding Bonds at an interest rate of 3.61%, the proceeds of which were used to provide financing for the refunding and defeasance of the District's 2003 Water Revenue Refunding Bonds. These 2003 Bonds were issued to refund debt used to finance certain capital improvements to the District's water system. Semi-annual principal payments, ranging from \$48,776 to \$136,000, and semi-annual interest payments, ranging from \$1,210 to \$40,642, are due on May 1 and November 1, through November 1, 2031. As of June 30, 2018, the District's loan balance was \$2,224,769.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Safe Drinking Water State Revolving Fund Loan: On June 30, 2011, the District finalized the Safe Drinking Water Loan funding agreement in the amount of \$7,499,045 at an interest rate of 2.57% to be paid over 20 years. The loan proceeds will assist the District in complying with the State safe drinking water standards. The project was completed in June 2015, and the actual borrowed by the District was only \$7,179,073. Semi-annual loan payments of \$230,677 are due on January 1 and July 1, through July 1, 2035. As of June 30, 2018, the District's loan balance was \$4,706,952.

Water Meter Replacement Loan: In July 2015, the District entered into an installment purchase agreement with Holman Capital Corporation for \$499,835 at an interest rate of 3.10% to be paid over 10 years. The agreement is for the acquisition and installation of 813 meters and solar-powered data collectors that will electronically connect to the existing automatic meter reading system, and installation of a dashboard system that will provide water data analytics to detect leaks, high water users, and overall system performance. Semi-annual loan payments of \$29,257 are due on January 23 and July 23, through July 23, 2025. As of June 30, 2018, the District's loan balance was \$389,304.

Installment Sale Agreement: On March 1, 2018, the District entered into an installment sale agreement with Opus Bank for \$3,870,000 at an interest rate of 3.28%. Proceeds from the agreement are for the construction of Well 10 and Well 16. Assuming the entire amount of the loan is borrowed by the District, semi-annual principal payments, ranging from \$90,000 to \$160,000, and semi-annual interest payments, ranging from \$2,624 to \$74,046, are due on April 1 and October 1, through April 1, 2033. However, as of June 30, 2018, the District had drawn down only \$99,141 of the loan balance. The first scheduled principal payment of \$90,000 is due on October 1, 2018.

The activity of the District's long-term liabilities during the year ended June 30, 2018, was as follows:

	Balance July 1, 2017 <u>(restated)</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2018	Due Within One Year
State safe drinking water loan	\$ 5,040,853	\$	\$ (333,901)	\$ 4,706,952	\$ 170,177
2015 water revenue refunding	2,353,846		(129,077)	2,224,769	133,163
Water meter replacement loan	434,703		(45,399)	389,304	46,818
Opus Bank loan		<u>99,141</u>		<u>99,141</u>	<u>90,000</u>
Subtotal bonds and loans payable	<u>7,829,402</u>	<u>99,141</u>	<u>(508,377)</u>	<u>7,420,166</u>	<u>440,158</u>
Compensated absences	21,579	29,744	(29,181)	22,142	22,142
Net pension liability	902,961	130,594		1,033,555	
Other post-employment benefits	<u>282,824</u>	<u>10,265</u>	<u>(30,740)</u>	<u>262,349</u>	
	<u>\$ 9,036,766</u>	<u>\$ 269,744</u>	<u>\$ (568,298)</u>	<u>\$ 8,738,212</u>	<u>\$ 462,300</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

The activity of the District's long-term liabilities during the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
State safe drinking water loan	\$ 5,365,497	\$	\$ (324,644)	\$ 5,040,853	\$ 165,885
2015 water revenue refunding	2,478,622		(124,776)	2,353,846	129,077
Water meter replacement loan	478,494		(43,791)	434,703	45,400
Subtotal bonds and loans payable	8,322,613		(493,211)	7,829,402	340,362
Compensated absences	16,360	30,610	(25,391)	21,579	21,579
Net pension liability	611,042	291,919		902,961	
Other post-employment benefits	11,936	31,377	(20,860)	22,453	
	\$ 8,961,951	\$ 353,906	\$ (539,462)	\$ 8,776,395	\$ 361,941

The annual requirements to amortize the outstanding debt for the 2015 Water Refunding Loan as of June 30, 2018, are as follows:

	Principal	Interest	Total
2019	\$ 133,163	65,726	198,889
2020	139,015	61,717	200,732
2021	145,736	57,489	203,225
2022	148,158	53,111	201,269
2023	152,273	48,649	200,922
2023-2027	842,000	171,278	1,013,278
2028-2032	664,424	40,136	704,560
	\$ 2,224,769	\$ 498,106	\$ 2,722,875

The annual requirements to amortize the outstanding debt for the Safe Drinking Water State Revolving Fund Loan as of June 30, 2018, are as follows:

	Principal	Interest	Total
2019	\$ 170,177	\$ 60,501	\$ 230,678
2020	346,943	114,411	461,354
2021	355,919	105,435	461,354
2022	365,128	96,227	461,355
2023	374,575	86,780	461,355
2024-2028	2,023,352	283,422	2,306,774
2029-2031	1,070,858	40,579	1,111,437
	\$ 4,706,952	\$ 787,355	\$ 5,494,307

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

The annual requirements to amortize the outstanding debt for the Water Meter Replacement Loan as of June 30, 2018, are as follows:

	Principal	Interest	Total
2019	\$ 46,818	\$ 11,696	\$ 58,514
2020	48,281	10,233	58,514
2021	49,789	8,725	58,514
2022	51,344	7,170	58,514
2023	52,948	5,566	58,514
2024-2026	140,124	6,564	146,688
	<u>\$ 389,304</u>	<u>\$ 49,954</u>	<u>\$ 439,258</u>

Pledged Revenue: The District pledged future water system revenues, net of specified expenses, to repay the 2015 Water Revenue Refunding Bonds in the original amount of \$2,688,622. Proceeds of the refunded bonds funded the acquisition and construction of certain facilities, as indicated above. The Bonds are payable solely from water customer net revenues and are payable through November 2031. Annual principal and interest payments on the Bonds are expected to require less than 80% of net revenues. Total principal and interest remaining to be paid on the Bonds was \$2,722,875 and \$2,921,567 at June 30, 2018 and 2017, respectively.

The District pledged surcharge fee revenues, to repay the 2011 State Safe Drinking Water Loan in the amount up to \$7,499,045. Proceeds of the Loan funded the construction of wells to meet State safe drinking water standards. Annual principal and interest payments on the Loan are expected to be fully recovered by the surcharge fees from customers. Total principal and interest paid on the loan from surcharge fees was \$461,355 and \$461,355 for the years ended June 30, 2018 and 2017, respectively. The total surcharge fee revenues were \$743,152 and \$729,739 for the years ended June 30, 2018 and 2017, respectively. The District is required to maintain net revenues at least 1.2 times total annual debt service. The District’s surcharge revenues exceeded this requirement at June 30, 2018 and 2017.

Arbitrage Rebate Liability: Section 148(f) of the Internal Revenue Code requires issuers of tax-exempt state and local bonds to remit to the federal government amounts equal to (a) the excess of the actual amounts earned on all “Non-Purpose Investments” allocable to “Gross Proceeds” of an issue of municipal obligations less the amount that would have been earned if the investments bore a rate equal to the amount that would have been earned if the investments bore a rate equal to the yield on the issue, plus (b) all income attributable to the excess. Issuers must make rebate payments at least once every five years and upon final retirement or redemption of the bonds. There was no arbitrage liability at June 30, 2018 and 2017.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 5: UNEARNED REVENUE

In August 2014, the District assigned the right to receive rental income on various cell tower leases for a period of 20 years to Wireless Capital Partners, LLC, in exchange for \$985,101 of cash. The District is also entitled to receive 50% of any rental increases after the expiration of the current leases. The District will recognize the revenue from this agreement over a period of 20 years, or \$49,255 annually. The balance of unearned revenue at June 30, 2018, was \$804,307.

NOTE 6: NET POSITION

Restrictions: Restricted net position consist of constraints placed on net position use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position consisted of the following at June 30:

	2018	2017
Debt service reserve on 2015 Water Revenue Refunding		
Bonds	\$ 238,432	\$ 238,432
Debt service reserve on State Loan	461,355	461,355
Total Restricted Net Position	\$ 699,787	\$ 699,787

The restrictions for debt service represent debt service and other reserves required by the related debt covenants. The restriction for State Loan repayment represents surcharges collected under Ordinance No. 2009-03 passed by the Board in May 2009 to fund projects to comply with a State of California Department of Public Health Compliance Order and to repay the State Loan per the loan agreement.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. The District participates in the miscellaneous 2% at 55 risk pool. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. PERS require agencies with less than 100 active members in the plan to participate in the risk pool. All full and part-time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months, full-time equivalent, monthly pay. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law. The Plan selects optional benefit provisions from the benefit menu by a contract with PERS and adopts those benefits through District resolution. PERS issues a separate comprehensive annual financial report. Copies of the PERS’ annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN - CONTINUED

Funding Policy: Active plan members were required to contribute 7% of their annual covered salary. Starting in December 2011, the District contributed 3.5% on behalf of the employees. The contributions made by the District on behalf of the employees were \$62,310 for the year ended June 30, 2018, and \$59,865 for the year ended June 30, 2017. The District is required to contribute at an actuarially determined rate. The District has two tiers of participants, classic and PEPRA. The required employer contribution rate for the classic plan for fiscal year 2017/2018, 2016/2017, and 2015/2016 was 8.418%, 8.377%, and 8.003%, respectively. The required employer contribution rate for the PEPRA plan for fiscal year 2017/2018, 2016/2017, and 2015/2016 was 6.533%, 6.555%, and 6.237%, respectively. The contribution requirements of the plan members and the District are established and may be amended by PERS. The District's contributions for the years June 30, 2018, 2017, and 2016, were \$126,796, \$118,924, and \$95,128, respectively, which were equal to the required contributions each year.

At June 30, 2018, the District reported a liability of \$1,033,555 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2018, the District recognized a pension expense of \$201,099 in its financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate – 7.15%
- Investment Rate – 7.15%
- Inflation Rate – 2.75%
- Salary Increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN - CONTINUED

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2014.

The long-term expected rate of return on pension plan investments (7.15%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	47.0%	5.38%
Global Fixed Income	19.0%	2.27%
Inflation Sensitive	6.0%	1.39%
Private Equity	12.0%	6.63%
Real Estate	11.0%	5.21%
Infrastructure and Forestland	3.0%	5.36%
Liquidity	2.0%	(0.90)%

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 1,612,511	\$ 1,033,555	\$ 554,054

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN – CONTINUED

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Detailed information about the pension fund’s fiduciary net position is available in the separately issued PERS comprehensive annual financial report which may be obtained by contacting PERS.

For the year ended June 30, 2018, the District recognized pension expense of \$201,099. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 162,246	\$ -
Differences between Expected and Actual Experience	-	18,865
Differences between Projected and Actual Investment Earnings	39,722	-
Differences between Employer's Contributions and Proportionate Share of Contributions	1,623	5,624
Change in Employer's Proportion	17,218	8,790
Pension Contributions Made Subsequent to Measurement Date	126,797	-
	<u>\$ 347,606</u>	<u>\$ 33,279</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$126,797 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 39,650
2020	106,695
2021	64,770
2022	(23,584)
Total	<u>\$ 187,531</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Plan Description: The District’s retiree healthcare benefit is not subject to the Public Employees’ Medical & Hospital Care Act (PEMHCA). The District provides funding in varying amounts to eligible retirees to assist eligible retirees with their cost of maintaining healthcare insurance.

Retiree health benefits vary by tier, which is based on date of hire, as follows:

Tier 1: Hired prior to January 1, 2003: Eligible for District-paid retiree health benefits after the later of age 50 and 5 years of service. Coverage will be for retiree and one eligible dependent, up to \$600/month for retiree and \$800/month for retiree plus one coverage.

Tier 2: Hired on or after January 1, 2003 but prior to May 1, 2004: The District contributes a percentage of the premium for retiree and one eligible dependent, up to a maximum of \$600/month for retiree and \$800/month for retiree plus one coverage, based on years of service at retirement, as follows:

Years of Service	District Share	Retiree Share
0 -9.9	0% (\$0/\$0)	100%
10	50%(\$300/\$400)	50%
11	55% (\$330/\$440)	45%
12	60% (\$360/\$480)	40%
13	65% (\$390/\$520)	35%
14	70% (\$420/\$560)	30%
15	75% (\$450/\$600)	25%
16	80% (\$480/\$640)	20%
17	85% (\$510/\$680)	15%
18	90% (\$540/\$720)	10%
19	95% (\$570/\$760)	5%
20+	100% (\$600/\$800)	0%

Tier 3: Hired on or after May 1, 2004 and before January 1, 2013: Eligible for District-paid benefits after the later of age 50 and 5 years of service. Benefit of \$300/month for the retiree only.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY - CONTINUED

Plan Description: (continued)

Tier 4: Hired on or after January 1, 2013: Eligible for District-paid benefits after the later of age 62 and 20 years of service. Benefits limited to \$300/month for the retiree only.

Benefits for all tiers end at eligibility for Medicare (age 65). Benefits are reduced for employees working less than full-time for the 3-year period before retirement.

One retired General Manager is receiving District-paid benefits of \$300/month until age 65. One retired management employee and one retired Board member are receiving benefits being provided according to special arrangements not expected to be repeated in the future. The retired management employee is receiving District-paid benefits equal to elected healthcare coverage; the retired Board member is receiving District-paid benefits not to exceed \$1,050 for retiree and spouse coverage.

Current Board members will not be entitled to District-paid retiree health benefits upon retirement.

Plan membership as of July 1, 2017, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	3
Active plan members	7

Contributions: The contribution requirements of the District are established and may be amended by the District’s board. While GASB Statement 75 requires that the liability for all post-employment benefits be measured, it does not require that an agency “pre-fund” the accrued liability. The District will pay for the post-employment healthcare cost on a “pay-as-you-go” basis. The provisions of GASB Statement 75 determine the amount that must be presented as an annual expense and accrued liability on the District’s financial statements. The contributions made on behalf of the plan members for the year ended June 30, 2018 were \$21,017.

Net OPEB Liability: The District’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY – CONTINUED

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Healthcare cost trend rate	6.00 percent for 2017; 5.00 percent for 2018; 5.00 percent for 2019; and 5.00 percent for 2020 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

Net OPEB Liability: (continued)

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
July 1, 2017	July 1, 2017	4.00%	3.13%	3.13%
June 30, 2018	June 30, 2018	4.00%	3.13%	3.62%

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY – CONTINUED

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB liability during the measurement period ending on June 30, 2018 for the District.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability(Asset) (c) = (a) – (b)
Balance at June 30, 2017	\$ 282,824		\$ 282,824
Changes recognized for the measurement period:			
Service cost	1,739		1,739
Interest	8,526		8,526
Changes of assumptions	(9,723)		(9,723)
Employer contributions		21,017	(21,017)
Benefit payments	(21,017)	(21,017)	
Net changes	(20,475)		(20,475)
Balance at June 30, 2018	<u>\$ 262,349</u>	<u>\$</u>	<u>\$ 262,349</u>

Sensitivity of the District’s Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
District’s proportionate share of the net OPEB liability	\$ 282,804	\$ 262,349	\$ 244,124

Sensitivity of the District’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1- percentage-point higher (5.00 percent increasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease 4.00%	Trend Rate 5.00%	1% Increase 6.00%
District’s proportionate share of the net OPEB liability	\$ 248,921	\$ 262,349	\$ 277,423

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY – CONTINUED

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	-	8,293

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. The amortization period for the change in assumptions is 6.8 years.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ 1,430
2020	1,430
2021	1,430
2022	1,430
2023	1,430
2024	1,143
Total	\$ 8,293

Net OPEB Expense

For the year ended June 30, 2018, the District’s OPEB expense was \$8,835. Detail of the expense is shown below:

Service Cost	\$1,739
Interest Cost	8,526
Recognition of Deferred Outflows and Inflows:	
Changes of assumptions	(1,430)
Net OPEB Expense	\$8,835

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2018 and 2017

NOTE 9: INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general and auto liability, public official's liability, employment practices liability, property damage and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which the group purchases commercial excess insurance.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA Self-Insured Retention	Re- insurance/Excess Commercial Insurance	Deductible
General Liability	\$ 5,000,000	\$ 55,000,000	None
Auto Liability	5,000,000		
Employment Practices Liability	5,000,000		
Property Damage	100,000	500,000,000	\$1,000 - \$50,000
Public Employee Theft, Depositors Forgery, and Funds Transfer Fraud	100,000	n/a	\$1,000

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: PRIOR PERIOD ADJUSTMENT

In fiscal year 2017-18, a prior period adjustment to reduce net position was recorded for \$260,371 to restate the beginning balance of the net OPEB liability.

NOTE 11: SUBSEQUENT EVENT

Management has evaluated subsequent events through October 29, 2018, the date on which the financial statements were available to be issued.



ADDITIONAL INFORMATION

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Required Supplementary Information

Pensions

June 30, 2018

Rio Linda/Elverta Community Water District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal years*

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District’s proportion of the net pension liability	0.02599%	0.02490%	0.02825%	0.02825%
District’s proportionate share of the net pension liability	\$1,033,555	\$902,961	\$611,042	\$611,042
District’s covered payroll	523,983	516,107	377,098	377,098
District’s proportionate share of the net pension liability as a percentage of its covered payroll	197.25%	174.96%	162.04%	162.04%
Plan Fiduciary net position as a percentage of the total pension liability	75.87%	81.32%	78.76%	78.76%

CALPERS - Schedule of District contributions:

Last 10 Fiscal Years*

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution	\$ 118,924	\$ 95,128	\$ 70,003	\$ 70,003
Contributions in relation to the actuarially determined contribution	118,924	95,128	70,003	70,003
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District’s covered payroll	\$ 523,983	\$ 516,107	\$ 377,098	\$ 377,098
Contributions as a percentage of covered payroll	22.70%	18.43%	18.56%	18.56%

* Fiscal year ended June 30, 2015 was the first year of implementation.

Additional years will be presented as they become available.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Required Supplementary Information

Other Post-Employment Benefits

June 30, 2018

Last 10 Fiscal years*

	<u>2018</u>
Net OPEB liability	
Service cost	\$ 1,739
Interest	8,526
Change in assumptions	(9,723)
Benefit payments	<u>(21,017)</u>
Net change in Net OPEB liability	(20,475)
 Net OPEB liability - beginning	 <u>282,824</u>
 Net OPEB liability - ending	 <u><u>\$ 262,349</u></u>
 Covered payroll	 \$ 604,181
Net OPEB liability (asset) as a percentage of covered payroll	43.42%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

* Fiscal year ended June 30, 2018 was the first year of implementation.
Additional years will be presented as they become available.



STATISTICAL SECTION

**RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT
STATISTICAL SECTION (Unaudited)**

Contents

This part of the Rio Linda/Elverta Community Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the government's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the district's most significant local revenue source.

Debt Capacity – These schedules present information to help the reader assess the affordability of the district's current level of outstanding debt and the district's ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within the district's financial activities that take place and to help make comparisons over time.

Operating Information – These schedules contain information about the district's operation and resources to help the reader understand how the district's financial information relates to the services the district provides and the activities it performs.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Schedule of Net Position by Component
(Accrual Basis of Accounting)
Last Ten Years

Net Position:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Investment in Capital Assets	\$4,977,627	\$5,357,179	\$5,516,600	\$5,348,202	\$4,314,977	\$4,964,131	\$4,418,605	\$6,292,818	\$6,698,923	\$7,519,910
Restricted	281,000	251,264	386,433	999,879	1,328,912	1,949,873	2,146,937	699,145	699,787	699,787
Unrestricted	607,461	339,736	86,424	198,124	971,432	-233,673	540,312	705,527	819,662	642,616
Total Net Position	<u>\$5,866,088</u>	<u>\$5,948,179</u>	<u>\$5,989,457</u>	<u>\$6,546,205</u>	<u>\$6,615,321</u>	<u>\$6,680,331</u>	<u>\$7,105,854</u>	<u>\$7,697,490</u>	<u>\$8,218,372</u>	<u>\$8,862,313</u>

* Unrestricted for 2013 and 2014 have been changed from the previous reported.

RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT
Schedule of Change in Net Position
(Accrual Basis of Accounting)
Last Ten Years

	2009	2010	2011	2012	2013 (Restated)	2014 (Restated)	2015	2016	2017	2018
OPERATING REVENUE										
Water Sales	\$ 1,484,016	\$ 1,420,153	\$ 1,546,497	\$ 1,948,287	\$ 2,165,708	\$ 2,318,307	\$ 2,308,047	\$ 2,173,094	\$ 2,289,627	\$ 2,499,949
Account Service Charges	113,507	123,907	136,453	113,820	102,306	108,628	102,983	95,530	102,660	102,010
Other Water Service Fees	4,978	12,277	13,688	81,951	17,193	8,153	17,467	31,735	45,202	35,393
Total Operating Revenues	1,602,501	1,556,337	1,696,638	2,144,058	2,285,207	2,435,088	2,428,497	2,300,359	2,437,489	2,637,352
OPERATING EXPENSES										
Personnel Services	983,465	688,774	698,360	658,431	696,810	740,854	762,133	733,073	986,515	1,061,163
Professional Services	229,243	174,163	478,968	613,868	531,433	187,460	146,459	138,340	175,449	177,479
Field Operations										
Transmission & Distribution	146,129	100,181	53,781	31,166	64,170	19,377	77,694	67,778	101,896	96,154
Pumping	174,286	176,198	190,191	202,394	209,235	190,788	174,093	198,706	192,760	187,256
Transportation	16,613	17,695	16,450	25,381	24,595	22,964	18,112	15,484	14,869	16,660
Treatment	11,254	15,611	20,198	19,580	17,512	12,923	13,005	14,562	16,579	17,487
Other	6,116	84,655	168,342	76,906	90,707	37,637	52,491	60,127	42,038	61,815
Conservation	-	3,505	1,896	925	7,551	10,041	11,549	14,545	11,544	5,946
Administrative Expenses	133,756	184,078	217,313	172,595	255,943	189,048	235,369	218,905	228,942	230,626
Depreciation and Amortization	378,194	307,009	321,697	306,646	278,118	1,456,071	978,027	609,090	624,455	654,174
Total Operating Expenses	2,079,056	1,751,869	2,167,196	2,107,892	2,176,074	2,867,163	2,468,932	2,070,610	2,395,047	2,508,760
Operating Income (Loss)	(476,555)	(195,532)	(470,558)	36,166	109,133	(432,075)	(40,435)	229,749	42,442	128,592
NON-OPERATING INCOME (EXPENSES)										
Surcharge	58,800	364,204	462,681	510,577	517,201	523,538	565,286	481,329	729,739	743,152
Interest Income	8,528	1,469	575	464	797	5,628	7,577	14,513	3,935	3,703
Miscellaneous Income	-	8,032	3,319	284	2,626	259	-	-	-	-
Property Taxes	80,447	63,348	63,296	60,439	71,198	67,410	78,620	46,454	75,951	81,653
Rental Income	51,715	58,859	69,464	75,406	77,608	80,299	58,405	49,255	49,255	49,255
Gain (Loss) on Sale of Assets	(802,673)	-	-	-	(360,335)	-	6,855	(45,899)	(14,048)	(26,050)
Lawsuit	123,158	-	102,057	-	-	-	-	-	-	-
Interest Expense	(154,838)	(216,223)	(186,898)	(210,838)	(181,774)	(178,249)	(225,190)	(238,303)	(224,195)	(209,540)
Other Non-Operating Expenses	(8,551)	(2,066)	(2,658)	(1,700)	(1,865)	(1,800)	(65,803)	(2,103)	(207,253)	(19,094)
Total Non-Operating Revenues (Expenses)	(643,414)	277,623	511,836	434,632	125,456	497,085	425,750	305,246	413,384	623,079
Income (Loss) Before Capital Contributions	(1,119,969)	82,091	41,278	470,798	234,589	65,010	385,315	534,995	455,826	751,671
Capital Contributions										
Capacity Fees	-	-	-	-	-	-	27,610	48,420	36,650	129,808
Contributed Assets	-	-	-	85,950	-	-	12,598	20,222	28,593	22,833
Development Fees	-	-	-	-	-	-	-	-	-	-
Total Capital Contributions	-	-	-	85,950	-	-	40,208	68,642	65,243	152,641
Change in Net Position	(1,119,969)	82,091	41,278	556,748	234,589	65,010	425,523	603,637	521,069	904,312

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Revenue Capacity (Unaudited)
Retail Water Rates
Last 10 years

Meter Sizes	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Flat Bi-Monthly Service Charge										
(600 cu ft. Usage Charge Included)										
5/8" Meter	\$ 29.00	\$ 29.00	\$ 41.18	\$ 42.54	\$ 49.79	\$ 51.47	\$ 53.22	\$ 55.04	\$ 56.73	\$ 57.75
3/4" Meter	\$ 34.80	\$ 34.80	\$ 49.38	\$ 51.02	\$ 59.70	\$ 61.72	\$ 63.82	\$ 66.00	\$ 56.73	\$ 57.75
1" Meter	\$ 52.20	\$ 52.20	\$ 73.98	\$ 76.44	\$ 89.45	\$ 92.47	\$ 95.62	\$ 98.88	\$ 94.55	\$ 96.26
1 1/2" Meter	\$ 101.50	\$ 101.50	\$ 143.68	\$ 148.44	\$ 173.71	\$ 179.47	\$ 185.69	\$ 192.03	\$ 189.10	\$ 192.51
2" Meter	\$ 162.40	\$ 162.40	\$ 229.78	\$ 237.40	\$ 277.81	\$ 287.20	\$ 296.97	\$ 307.11	\$ 302.55	\$ 308.02
3" Meter	\$ 304.50	\$ 304.50	\$ 430.66	\$ 444.96	\$ 520.70	\$ 538.30	\$ 556.61	\$ 575.61	\$ 661.84	\$ 673.79
4" Meter	\$ 507.50	\$ 507.50	\$ 717.64	\$ 741.46	\$ 867.68	\$ 897.01	\$ 927.52	\$ 959.18	\$ 1,191.31	\$ 1,212.83
Tier Schedule Bi-Monthly										
(\$ / 100 cubic feet (CCF))										
5/8" Meter										
Tier 1 (601 - 2,600)	\$ 0.43	\$ 0.43	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.62	\$ 0.64	N/A	N/A
Tier 2 (2,601 - 15, 600 CCF)	\$ 0.54	\$ 0.54	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78	\$ 0.80	N/A	N/A
Tier 3 (15,601 +)	\$ 0.68	\$ 0.68	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.98	\$ 1.01	N/A	N/A
3/4 - 1 1/2" Meter										
Tier 1 (601 - 5,800)	\$ 0.43	\$ 0.43	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.62	\$ 0.64	N/A	N/A
Tier 2 (5,801 - 44,800 CCF)	\$ 0.54	\$ 0.54	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78	\$ 0.80	N/A	N/A
Tier 3 (44,801 +)	\$ 0.68	\$ 0.68	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.98	\$ 1.01	N/A	N/A
2" to 4" Meter										
Tier 1 (601 - 55,200)	\$ 0.43	\$ 0.43	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.62	\$ 0.64	N/A	N/A
Tier 2 (55,201 - 286,000 CCF)	\$ 0.54	\$ 0.54	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78	\$ 0.80	N/A	N/A
Tier 3 (286,001 +)	\$ 0.68	\$ 0.68	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.98	\$ 1.01	N/A	N/A
Inactive Meter Charge: Fixed Rate	N/A	N/A	N/A	N/A	\$44.63	\$ 46.01	\$ 47.34	\$ 48.98	\$ 52.34	\$ 51.63
Capital Improvement Surcharge (Restricted Funds)	\$ 10.00	\$ 15.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00
CR6 Surcharge (Restricted Funds)										\$ 7.90
Cubic Feet Used 601+										
Meter Sizes 5/8" - 4"										
Non-Drought Rate Vol. Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.55	\$ 0.77
Drought Rate										
Stage : 30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.63	\$ 0.88
Stage : 40%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.73	\$ 1.02
Stage : 50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.88	\$ 1.23

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Revenue Capacity (Unaudited)
Water Sales by Type of Customers
Last 10 years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Water Sales:										
Residential	\$ 1,259,689	\$ 1,228,723	\$ 1,294,125	\$ 1,647,916	\$ 1,837,442	\$ 2,011,151	\$ 1,973,254	\$ 1,926,866	\$ 2,009,517	\$ 2,138,326
Non-Residential (A)	340,435	327,614	402,513	496,142	637,291	307,156	334,793	246,228	280,110	361,623
Total Water Sales	<u>\$ 1,600,124</u>	<u>\$ 1,556,337</u>	<u>\$ 1,696,638</u>	<u>\$ 2,144,058</u>	<u>\$ 2,285,207</u>	<u>\$ 2,318,307</u>	<u>\$ 2,308,047</u>	<u>\$ 2,173,094</u>	<u>\$ 2,289,627</u>	<u>\$ 2,499,949</u>
Total Water Deliveries (AF)	2,914.1	2,718.3	2,543.3	2,857.1	3,052.3	2,449.4	2,109.5	2,097.7	2,233.0	2,488.2
Rate per Acre Foot (AF)	\$ 549.10	\$ 572.54	\$ 667.10	\$ 750.43	\$ 748.68	\$ 946.48	\$ 1,094.12	\$ 1,035.94	\$ 1,025.36	\$ 1,004.72

(A) Non-residential included multi-family, institutional, industrial, commercial, landscape irrigation and apartments.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Revenue Capacity (Unaudited)
Principal Rate Payers
Last 10 years

Fiscal Year 2018

Revenue Generated from 7/1/2017 to 6/30/2018

Ratepayer	Revenues Collected	Percent of Total Water Sales
Rio Linda Senior High School	\$ 17,165.47	0.69%
Rio Linda Jr High School	\$ 15,349.59	0.61%
Westside Park-RLERPD	\$ 14,173.36	0.57%
Rio Linda Union School District	\$ 8,577.55	0.34%
Dry Creek Elementary School	\$ 7,520.43	0.30%
Orchard Elementary School	\$ 7,288.44	0.29%
Babe Best Park RLERPD	\$ 6,305.57	0.25%
Alpha School	\$ 5,609.05	0.22%
Comm. Cntr RLERPD	\$ 5,553.85	0.22%
Bell Aqua Apartments	\$ 5,490.60	0.22%
Total	\$ 93,033.91	3.72%

Total Water Sales \$ 2,499,949.00

Fiscal Year 2009

Revenue Generated from 7/1/2008 to 6/30/2009

Ratepayer	Revenues Collected	Percent of Total Water Sales
Rio Linda Jr. High School	\$16,209.36	1.09%
Rio Linda Senior High	\$9,372.50	0.63%
Westside Park - RLERPD	\$8,343.74	0.56%
Saveway Grocery	\$7,305.92	0.49%
Bell Aqua Apartments	\$5,580.24	0.38%
Orchard Elementary School	\$5,340.24	0.36%
Babe Best Park RLERPD	\$4,447.48	0.30%
Elverta School	\$3,555.17	0.24%
Central Concrete Supply Co.	\$3,303.66	0.22%
Granite Construction	\$3,046.86	0.21%
Total	\$66,505.17	4.48%

\$ 1,484,016.00

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Debt Capacity
Schedule of Debt Service
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Revenue	\$ (1,119,969)	\$ 82,091	\$ 41,278	\$ 556,748	\$ 234,589	\$ 65,010	\$ 425,523	\$ 603,637	\$ 521,069	\$ 904,312
Debt Service	3,485,000	3,400,000	3,310,000	5,327,267	6,454,132	6,705,345	9,673,174	8,322,613	7,829,402	7,420,165
Coverage	-32%	2%	1%	10%	4%	1%	4%	7%	7%	12%

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Debt Capacity
Ratios of Outstanding Debt by Type and Number of Connections
Last Ten Years

Debt:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Water Revenue Refunding Bonds	\$ 3,485,000	\$ 3,400,000	\$ 3,310,000	\$ 3,215,000	\$ 3,120,000	\$ 3,020,000	\$ 2,688,622	\$ 2,478,622	\$ 2,353,846	\$ 2,224,769
State Safe Drinking Water Loan	-	-	-	2,112,267	3,334,132	3,685,345	6,984,552	5,365,497	5,040,853	4,706,952
Surcharge 2 Loan	-	-	-	-	-	-	-	-	-	99,141
Meter Replacement Loan	-	-	-	-	-	-	-	478,494	434,703	389,304
Legal Settlement	-	-	-	-	89,000	53,400	17,800	-	-	-
Net Pension Liability	-	-	-	-	-	882,635	698,281	611,042	902,961	1,033,555
Total Debt	<u>\$ 3,485,000</u>	<u>\$ 3,400,000</u>	<u>\$ 3,310,000</u>	<u>\$ 5,327,267</u>	<u>\$ 6,543,132</u>	<u>\$ 7,641,380</u>	<u>\$ 10,389,255</u>	<u>\$ 8,933,655</u>	<u>\$ 8,732,363</u>	<u>\$ 8,453,721</u>
Number of Service Connections	4616	4616	4616	4616	4617	4617	4618	4622	4628	4636
Debt Per Capita	754.98	736.57	717.07	1154.09	1417.18	1655.05	2249.73	1932.85	1886.85	1823.49

**RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Demographic and Economic (Unaudited)
Sacramento County*
Last Ten Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Personal Income (1)	\$ 53,647,258	\$ 54,673,384	\$ 57,564,251	\$ 60,721,694	\$ 62,440,643	\$ 65,126,187	\$ 69,870,482	72,878,458	76,832,120	unavailable
Population (1)	1,408,601	1,421,838	1,435,601	1,448,771	1,463,149	1,482,026	1,501,335	1,514,460	1,530,615	unavailable
Per Capita Personal Income (1)	\$ 38,085	\$ 38,453	\$ 40,098	\$ 41,913	\$ 42,676	\$ 43,944	\$ 46,539	48,122	50,197	unavailable
Unemployment Rate (2)	11.0%	12.6%	12.1%	10.5%	8.9%	7.3%	5.5%	4.6%	4.0%	unavailable

* Information for Demographic and Economic statistics are for the County of Sacramento since the Rio Linda / Elverta is unincorporated and reported under Sacramento County and such information is not available solely for the District's service area.

Source:

- (1) Bureau of Economic Analysis, US Department of Commerce
- (2) California State Employment Development Department

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Demographic and Economic (Unaudited)
Principal Employers
Sacramento County*

Company	2017			2008		
	Average Number of Employees	Rank	Percentage of Total County Employment	Average Number of Employees - (a)	Rank	Percentage of Total County Employment
State of California	74,462	1	10.80%	60,045	1	9.37%
Sacramento County	12,514	2	1.81%	14,488	2	2.26%
UC Davis Health System	10,467	4	1.52%	7,901	3	1.23%
US Government	10,322	5	1.50%			
Sutter Health Sacramento Sierra Region	9,911	6	1.44%	7,140	4	1.11%
Kaiser Permanente	10,517	3	1.53%	6,805	6	1.06%
Dignity Health	8,039	7	1.17%			
Intel Corp	6,000	8	0.87%	6,800	7	1.06%
Apple, Inc	5,000	9	0.73%			
Elk Grove Unified School Dist	4,620	10	0.67%			
San Juan Unified School District				5,775	9	0.90%
Sacramento City Unified School District				7,000	5	1.09%
Los Rios Community College District				6,000	8	0.94%
City of Sacramento				5,230	10	0.82%
	151,852		22.02%	127,184		19.85%
Total Employed in Sacramento County	689,500			640,800		

* Information for Principal Employers is provided for the County of Sacramento since the District is located within the County and such information is not available solely for the District's service area.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Operating Information
Capital Assets
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital Assets Not Being Depreciated										
Land	\$ 410,723	\$ 410,723	\$ 410,723	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673
Construction in Progress	<u>200,975</u>	<u>631,313</u>	<u>1,019,082</u>	<u>3,090,786</u>	<u>138,976</u>	<u>1,167,567</u>	<u>631,834</u>	<u>588,994</u>	<u>637,767</u>	<u>1,250,106</u>
Total Not Being Depreciated	611,698	1,042,036	1,429,805	3,587,459	635,649	1,664,240	1,128,507	1,085,667	1,134,440	1,746,779
Capital Assets Being Depreciated										
Water System Facilities	11,273,400	11,273,400	11,285,184	11,303,047	15,059,075	15,192,373	19,096,450	20,039,978	20,562,699	20,717,060
General Plant Assets	782,017	792,013	792,013	792,013	721,407	727,008	603,967	594,236	606,507	712,767
Intangible Assets	363,185	363,185	363,185	373,865	407,225	407,225	407,225	403,145	373,043	373,043
Less Accumulated Depreciation	<u>(4,947,949)</u>	<u>(5,246,874)</u>	<u>(5,560,487)</u>	<u>(5,859,049)</u>	<u>(6,054,247)</u>	<u>(6,702,352)</u>	<u>(7,144,370)</u>	<u>(7,638,607)</u>	<u>(8,241,348)</u>	<u>(8,702,559)</u>
Total Not Being Depreciated, Net	<u>7,470,653</u>	<u>7,181,724</u>	<u>6,879,895</u>	<u>6,609,876</u>	<u>10,133,460</u>	<u>9,624,254</u>	<u>12,963,272</u>	<u>13,398,752</u>	<u>13,300,901</u>	<u>13,100,311</u>
Capital Assets, Net	<u>\$ 8,082,351</u>	<u>\$ 8,223,760</u>	<u>\$ 8,309,700</u>	<u>\$ 10,197,335</u>	<u>\$ 10,769,109</u>	<u>\$ 11,288,494</u>	<u>\$ 14,091,779</u>	<u>\$ 14,484,419</u>	<u>\$ 14,435,341</u>	<u>\$ 14,847,090</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
Operating Information
Operating Data
Last Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
WATER SERVICES										
Number of Service Connections	4,616	4,616	4,616	4,616	4,617	4,617	4,618	4,622	4,628	4,636
Annual Demand in AF	2,914.1	2,718.3	2,543.3	2,857.1	3,052.3	2,449.4	2,109.5	2,097.5	2,285.9	2,488.1
Max Monthly Demand in Gallons	144,144,772	146,953,128	122,432,020	142,225,142	149,404,660	115,965,570	87,014,897	97,962,392	107,432,399	120,549,805
Maximum Day Demand in Gallons	2,637,688	2,460,485	2,270,541	2,586,101	2,762,771	2,217,013	1,909,354	3,265,413	3,465,561	3,888,703
METERS										
New Installations	0	0	0	0	0	0	0	4	7	7
Replacement	0	0	0	0	60	349	179	1,087	377	475
HYDRANTS										
New Installations	0	0	0	0	0	0	0	1	0	0
Replacement	0	0	0	0	0	0	2	0	0	0
LEAKS										
Water Main	1	5	2	0	0	1	2	3	2	0
Service	34	75	58	71	75	76	82	66	66	80
MAIN LINE VALVES										
New Installations	0	0	0	0	0	0	0	0	0	0
Replacement	0	0	0	0	3	0	0	0	2	0
SERVICES										
New Installations	0	0	0	0	0	0	3	4	7	7
Replacement	0	0	0	0	0	1	0	10	29	34
MAJOR FACILITIES										
Wells	9	9	9	11	11	11	11	11	11	11
Tank	1	1	1	1	1	1	2	2	2	2
Booster Station	1	1	1	1	1	1	2	2	2	2
Pressure Regulation Valves	2	2	2	2	2	2	2	2	2	2
Miles of Pipeline	61.14	61.14	61.72	61.72	61.72	61.72	62.10	62.10	62.10	62.10
PERSONNEL										
Management	1	1	1	1	1	1	1	1	1	1
Administration	4	4	4	3	3	4	4	4	4	4
Field Operations	4	5	5	3	3	5	5	5	5	5
	9	10	10	7	7	10	10	10	10	10



COMPLIANCE SECTION

October 29, 2018

Board of Directors
Rio Linda/Elverta Community Water District
730 L Street
Rio Linda, California 95673

We have audited the financial statements of the Rio Linda/Elverta Community Water District (the District) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements was:

Management's estimate of the net pension liability is based on CalPERS actuarial reports. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the District's financial statements taken as a whole.

Board of Directors
Rio Linda/Elverta Community Water District

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Required Supplementary Information related to pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of the Rio Linda/Elverta Community Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Fechter & Company,
Certified Public Accountants



Sacramento, California



**RIO LINDA/ELVERTA
COMMUNITY WATER DISTRICT
730 L Street
Rio Linda, CA 95673**

**Tel. (916) 991-1000
www.rlecwd.com**



Finance/Administration Committee

Agenda Item: 4

Date: December 10, 2018
Subject: Inactive Service Fees and Disconnection of Service Policy
Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

Review the draft ordinance provided to consolidate the implementation of the inactive service fee with a policy for disconnection of service for eligible customers who wish to discontinue inactive service fees for qualified accounts.

Current Background and Justification:

The Finance/Admin Committee and the Board have discussed this desired change at several prior meetings. The most recent direction to staff was to modify the draft ordinance prepared by Legal Counsel to:

1. Address the groundwater quality protection objectives delineated in the Rio Linda Elverta Community Plan. Specifically, the direction was to limit disconnections of parcels less than two acres for consistency with PF-5.
2. Allow for rescinded of Resolution 2013-08 by consolidating the implementation of an inactive service fee with the means for discontinuing the inactive service fee for eligible parcel owners within specified criteria.

The draft ordinance included with your Committee packets incorporates the Board and Committee direction. The insertions I made to the draft prepared by Legal Counsel have been submitted to Legal Counsel for review.

The timelines stipulated in the ordinance for public review and public hearing notice effectively limit the scheduling for Board consideration, this ordinance can be considered by the Board no earlier than the January 28, 2019 regular Board meeting.

Staff recommendation:

I recommend the Finance/Admin Committee direct staff to prepare all customary notices and public hearing arrangements, and further recommend approval by the Board at the January 28, 2019 Board meeting.

Rio Linda/Elverta Community Water District

Ordinance No. 2018-_____

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT TO ESTABLISH PERMANENT DISCONNECTION FEES AND POLICY FOR PERMANENT DISCONNECTION

WHEREAS, the Rio Linda/Elverta Community Water District (the “District”) adopted Resolution 2013-08, implementing a minimum bimonthly water service fee (“inactive service fee”) for inactive customers on parcels which still have water immediately available to them; and

WHEREAS, the inactive service fee does not apply to parcels which do not have water immediately available to them; and

WHEREAS, permanently disconnected parcels do not have water immediately available to them; and

WHEREAS, the District finds that clarity is required for District water customers who desire to permanently disconnect from the District’s water system; and

WHEREAS, California Government Code section 66016 authorizes the District to adopt a resolution or ordinance to establish and impose a permanent disconnection fee; and

WHEREAS, the District desires to consolidate the policies for imposition of the inactive service fee (Resolution 2013-08) with the policy (ordinance) providing policies, stipulations and requirements for customers who desire to permanently disconnect from the District’s water system, and

WHEREAS, the Sacramento County Rio Linda Elverta Community Plan established objectives to preserve groundwater quality. Objective PF-5 stipulates that parcels less than two acres should be connected to a public water system to limit the number of private wells.

WHEREAS, the District published notice of the initial public hearing, including a general explanation of the matter to be considered, at least ten (10) days before the hearing as required by California Government Code section 6062a and 66018; and

WHEREAS, at least ten (10) days before the public hearing, the District made data publicly available that indicates the estimated cost required to permanently disconnect a parcel from the District’s water system; and

WHEREAS, the above-described data sets forth reasonable cost estimates for permanent disconnection for parcels and establishes that the proceeds generated by the permanent disconnection fee do not exceed the total of the estimated costs.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT HEREBY DETERMINES AND ORDAINS AS FOLLOWS:

Section 1. Recitals. The above recitals are true and correct and incorporated herein.

Section 2. Rescinding Resolution 2013-08. The findings and requirements of Resolution 2013-08 are hereby incorporated into this Ordinance, whereby this Ordinance supersedes Resolution 2013-08. Resolution 2013-08 is hereby rescinded.

Section 3. Inactive Services Fee. All properties that are connected to the District's water system than have no water usage during a billing period (except those identified and specifically excluded by the District as redundant connections provided by the McClellan Air Force Base), and are deemed to be inactive customers by the District, shall be required to pay a minimum bimonthly water service fee ("inactive service fee") without further waivers, as follows: the current base rate of \$58.80, Surcharge #1, and Surcharge #2, currently \$19.00 and \$15.80 respectively, and any subsequent increases to these fee components which are authorized by the District's Board of Directors.

Section 4 Vacant Unimproved Property/Parcels. Vacant unimproved property/parcel owners may apply to be excluded from the inactive service fee, If upon application and approval by the District, the owner of such vacant/unimproved parcel agrees in writing to forfeit the previously paid capacity fees, and further agrees that they will pay the capacity fees in affect at the time the owner requests to reconnect to the District's water system.

Section 5 Minimum Parcel Size Eligibility. In addition to the parcels described in Sections 3 and 4 above, parcels greater than two (2) acres in size may apply for disconnection in accordance with the subsequent Sections.

Section 6 Disconnection Fee. The District hereby adopts the Permanent Disconnection Fee set forth in Exhibit 1 attached hereto, to reflect the costs of permanently disconnecting a parcel from its water system.

Section 7. Declaration of Policy. This Permanent Disconnection Policy is established to clarify procedures that District customers should take if they desire to permanently disconnect their parcel from the District's water system.

Section 8. Definitions. The following definitions apply to this Permanent Disconnection Policy, unless specified otherwise:

- (a) "Customer" means the individual requesting permanent disconnection from the District's water system.
- (b) "District" means the Rio Linda/Elverta Community Water District.
- (c) "Policy" means the Permanent Disconnection Policy.
- (d) "Manager" or "General Manager" means the General Manager of the Rio Linda/Elverta Community Water District.

Section 9. Disconnection Procedures.

9.01 Written Request Required. Customers desiring permanent disconnection from the District's water system shall submit a written request to permanently disconnect to the District's General Manager. The written request shall include the Customer's

full name, phone number, e-mail, address, and APN number of the parcel to be permanently disconnected, and the date that permanent disconnection is requested.

9.01.01 Payment of Permanent Disconnection Fee. The Customer shall include a permanent disconnection fee of \$_____ with the written request. The disconnection fee includes material, labor, and equipment hours to perform the disconnection.

9.01.02 Additional Information. The Customer shall be required to furnish such additional information as requested by the General Manager to permanently disconnect the parcel from the District's water system.

9.02 Reconnecting to the District's Water System. If the Customer or the owner of the parcel desires to reconnect to the District's water system, the Customer or owner of the parcel shall follow the procedures for new service described in Chapter 4.07 of the District's Policy Manual. The Customer shall pay the water service connection charges provided in Ordinance No. 2016-01.

9.03 Permanently Disconnected Parcels Not Subject to Inactive Water Service Fee.

9.03.01 Finding. The District finds that the District incurs no cost for providing water service to permanently disconnected parcels, as water service is not immediately available to those parcels.

9.03.02 Inactive Service Fee. Parcels which do not have water immediately available to them from the District's water system are not subject to the inactive water service fee established pursuant to Resolution 2013-08.

Section 10. California Environmental Quality Act Compliance. Pursuant to California Public Resources Code section 21080(b)(8), the requirements of the California Environmental Quality Act do not apply to water disconnection fees, as the fee caused by this Ordinance is to meet operating expenses for permanently disconnecting a parcel from the District's water system.

Section 11. Ordinance Effective Date. This Ordinance shall be effective thirty (30) days after the date of its second reading and adoption. A summary shall be published once, with names of members voting for and against the same in a newspaper of general circulation published in the County of Sacramento. A certified copy of the full text of this Ordinance shall be posted at the office of the Clerk of the District Board of Directors, 730 L Street, Rio Linda, CA 95673, with the names of those Board members voting for and against the Ordinance.

APPROVED AND ADOPTED by the Board of Directors of the Rio Linda/Elverta Community Water District on this 19th day of November, 2018.

AYES:

NOES:

ABSTAIN:

ABSENT:



Finance/Administration Committee

Agenda Item: 5

Date: December 10, 2018
Subject: CERBT Funding for Retiree Medical
Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

Discuss the potential funding levels available for prefunding retiree medical insurance obligations via the California Employer Retiree Benefit Trust (CERBT) and forward an item onto the December 17th Board agenda with recommendation for approval for initiating enrollment in the CERBT program.

Current Background and Justification:

Prior Finance/Admin Committee discussions, presentations and follow-up information have yielded a substantial vetting process, which supports the District adoption of this prefunding program as a more prudent, effective and financially responsible means for funding the District's exiting obligations for retiree medical insurance.

The District's current accounts include approximately \$16,000 designated as a source of funding for current retiree medical obligations. However, this money is not yielding any appreciable return on investment, especially compared to the typical returns historically generated by CERBT investments. Additional funding, although not required and not creating a minimum funding level obligation, could be considered on a year by year basis, and/or when computing the long-term advantages for near-term investments.

The most recent timing deferral direction by the Finance/Admin Committee was to wait for December and review the potential for mid-year budget to actual analyses, which might support funding above the \$16,000 of known, available funds. The active employee medical actual expenses have been less than the budgeted amount as anticipated, but the Board may wish to balance that realized revenue with the underfunding for capital improvement carry over that was the subject of much consternation during this year's budget adoption process. A more appropriate source of funding for consideration might be the windfall of a recent change in cell phone services, which is expected to generate approximately \$1,500 in savings for the second half of the current fiscal year, \$3,000 annually. Similarly, the ACWA JPIA insurance has been

reduced and is projected to generate another \$1,500 in savings compared to the budgeted amount.

It is therefore reasonable to initiate enrollment in CERBT with a one-time initial investment of \$20,000. Succeeding years of funding should be a function of the budget adoption process, and/or require Board approval on a year by year basis.

Staff recommendation:

I recommend the Finance/Admin Committee Forward an item onto the December 17th Board agenda to direct staff to execute all necessary documents for enrollment in the CERBT program, and to further allocate up to \$20,000 for initial investment, and further recommend approval by the Board.



OTHER POST-EMPLOYMENT BENEFITS (OPEB) – FUNDING OPTIONS

PREPARED FOR:

REGULAR BOARD MEETING, AUGUST 9, 2018

PREPARED BY:

ANDI STUBBS, CHIEF BUSINESS OFFICIAL

2 BACKGROUND:

- SHUSD pays the individual health insurance monthly premium for eligible retired employees until they reach Medicare eligibility (currently 65)
- These premiums are known as “Other Post-Employment Benefits” (OPEB)
- Retiree premium payments typically increase annually due to health care trend rates and inflation



3 OPEB FUNDING OPTIONS

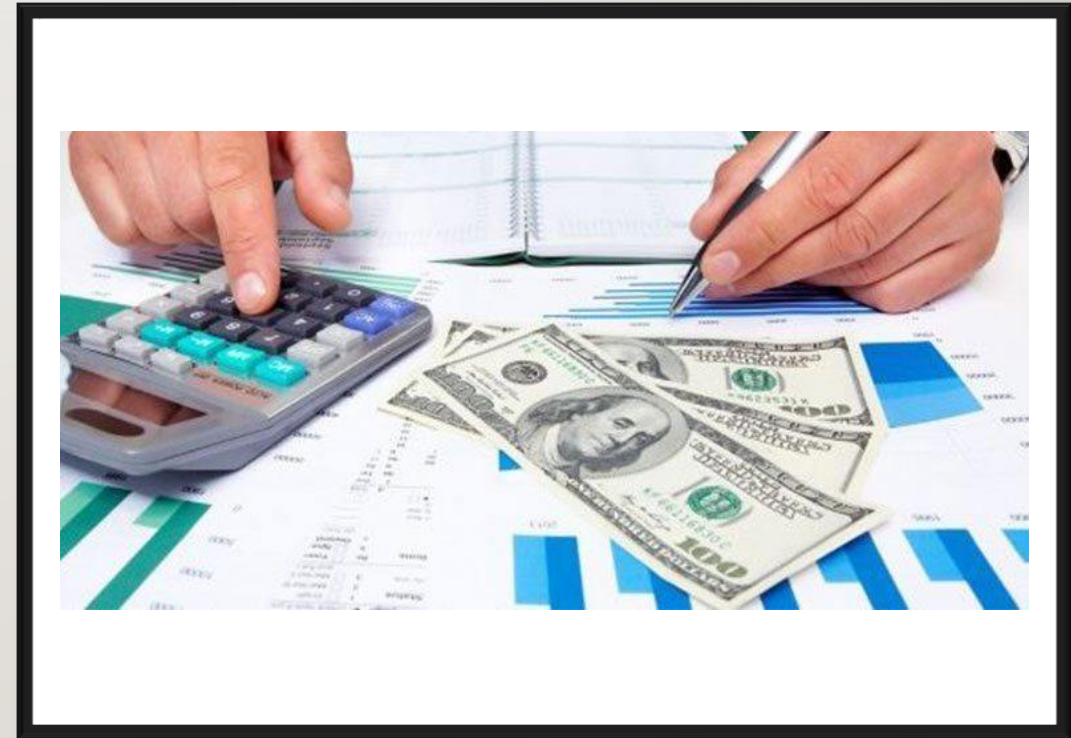
1. Option 1: “Pay-As-You-Go” **(current)**
 - General Fund current annual cost: **\$171,510**
 - Annual maximum per employee (2018 Kaiser premium, individual): **\$9,358**
 - Fund 20 (Special Reserve for Post-Employment Benefits) - Estimated balance: **\$207,194**
2. Option 2: Irrevocable Trust Account **(proposed)**
 - Contributions are made to a trust fund outside of the County Treasury
 - Higher rate of return on investment than the County Treasury,* or a money market account
 - Becomes cheaper to prefund than to continue pay-as-you-go



*Annual interest paid on funds held in the County Treasury – less than 1%, last four years

4 OPTION 2 (TRUST ACCOUNT) - RATIONALE

- Prefunding OPEB will make it more likely that we can pay our retiree premium payments from investment income versus investment principal
 - By building up assets in the trust, we can offset growing OPEB liabilities
- Higher-yielding investment strategies generate greater long term investment earnings compared with the County Treasury, money market accounts, and other investment instruments



5 OPTION 2 (TRUST ACCOUNT) – RATIONALE, CONTINUED



- Funding through a trust could reduce annual budget dependency to pay for future benefits
- Investment earnings are tax-exempt
- Prefunding supports sound fiscal management:
 - Lowers the District's OPEB liabilities that are reported on the audited financial statement because of higher investment return assumptions
 - Promotes a positive District credit rating
 - Bond rating agencies view the prefunding approach more favorably than “pay-as-you-go”

6 PROVIDERS REVIEWED

- California Public Employees Retirement System (CalPERS)
 - California Employers' Retirement Benefit Trust (CERBT)
- Self-Insured Schools of California (SISC)
- Public Agency Retirement Services (PARS)



7 PROVIDER COMPARISON

FEATURE:	CaIPERS CERBT:	SISC:	PARS:
Financial Reporting Compliant with GASB?	Yes	Yes	Yes
Cost	10 basis points of assets under management	15 basis points	Percentage of assets under mgmt; e.g. admin. fees of 0.25%
Estimated Annual Cost, \$2 million Account Value	\$2,000	\$3,000	\$7,000 - \$12,000
Termination Restrictions	No	3-Year Participation Period	30-Day Notice
Contributions Required?	No	No	No
Minimum Balance?	None	\$50,000	None
Minimum Contribution?	No	No	No
Approximate Rate of Return	Long-term expected: 6.12% - 7.28% depending on allocation strategy chosen	Current: 6.35%. Long-term expected: 7.0%	Long-term expected: 3.92%-6.56% (Vanguard) or 4.95%-7.39% (HighMark), depending on investment plan
Eligible to Reimburse Up to 100% of annual OPEB expenses?	Yes	Yes	Yes; up to 2 years at a time
School Districts Under Contract	63 includes NCOE	51	40, includes NVUSD/CJUSD

8 NEXT STEPS:

- **Governing Board** (August 9, 2018 Board Meeting):
 - Approve the Agreement and Election to Prefund Other Post-Employment Benefits Through CalPERS
 - Approve the Delegation of Authority to Request Disbursements
- **Staff:**
 - Upon Board approvals, staff will work with CalPERS and the district's actuarial consultant to establish the trust
 - A preliminary annual investment of \$50,000 is included in the 2018-19 Original Budget (Board-approved June 21, 2018). Any proposed revisions to the budget will be presented to the Board for consideration of approval during an upcoming Board meeting

9



QUESTIONS?





Finance/Administration Committee

Agenda Item: 6

Date: December 10, 2018

Subject: CalPERS Required Board Approval and Posting Requirements for COLA Pay Scale Revisions

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

Forward an item onto the December 17th Board agenda (preferably consent agenda) with recommendation for approval for the posting of employee pay scales modified to reflect the recent cost of living adjustments (COLA).

Current Background and Justification:

Title 2, California Code of Regulations, Section 570.5 (a)(1) stipulates:

Barclays Official California Code of Regulations [Currentness](#)
Title 2. Administration
Division 1. Administrative Personnel
Chapter 2. Board of Administration of Public Employees' Retirement System
Subchapter 1. Employees' Retirement System Regulations
Article 4. Contracts

2 CCR § 570.5

§ 570.5. Requirement for a Publicly Available Pay Schedule.

(a) For purposes of determining the amount of "compensation earnable" pursuant to Government Code Sections 20630, 20636, and 20636.1, payrate shall be limited to the amount listed on a pay schedule that meets all of the following requirements:

(1) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;

Under the current circumstances, the most practical means of compliance is to have the Board approve (albeit redundantly and retroactively) the 12/01/2018 Cost of Living Adjustment stipulated in the current, fully executed MOU with the RLECWD General Unit.

Although Board action to document compliance is the most practical means of compliance, it is necessary to observe that the Board may not have full discretion to decline the adjustment. If the Board were to fail to approve the COLA or exercise inaction otherwise resulting in the absence

of a COLA stipulated in the MOU, such Board action may lead to breach of contract actions or other deleterious consequences.

Staff recommendation:

I recommend the Finance/Admin Committee forward an item onto the consent agenda section of the December 17th Board agenda with recommendation for approval.