



Rio Linda / Elverta Community Water District



Comprehensive

Annual Financial Report

For the Fiscal Year July 1, 2019 to June 30, 2020

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**RIO LINDA/ELVERTA
COMMUNITY WATER DISTRICT**



Rio Linda, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR
JULY 1, 2019 - JUNE 30, 2020**

Prepared by
Timothy R. Shaw, General Manager

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RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2020

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RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

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INTRODUCTORY SECTION

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RIO LINDA ELVERTA



WWW.RLECWD.COM
QUESTIONS@RLECWD.COM

COMMUNITY WATER DISTRICT

Telephone:
(916) 991-1000

RLECWD
730 L Street
Rio Linda, CA 95673-3433

January 11, 2021

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, 2020. 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 GOVERNANCE

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 62.1 miles of distribution main. From these wells the District pumps approximately 2,700 acre-feet of water annually to its 4,637 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: "Our Mission is to provide a safe and reliable water supply in a cost-effective manner."

Economic Conditions 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. The aggregate costs of necessary infrastructure improvements, e.g., roads, storm drainage, sewage collection, etc., appears to be a formidable hindrance to ESP moving forward. The Coronavirus pandemic has added to the uncertainty investments in large-scale residential development.

Significant Projects and Future Plans

Infrastructure and Water Delivery

With California adoption of a Maximum Contaminant Limit (MCL) for Hexavalent Chromium (Cr6) then subsequent suspension of the Cr6 MCL by the Courts, the District and other water purveyors had been in a holding pattern from some planned mitigation measures. Throughout 2020, the state has remained on track with their workshops and public comment processes associated with re-establishing the Hexavalent Chromium MCL.

The District has five wells in the District that do not meet the 10-ppb 1 MCL for Hexavalent Chromium. The District has nearly completed construction of a new pumping station (Well #16), which is expected to be operational in January 2021. The Well 16 Pumping Station has relatively high productivity and water quality, which will enable the District to downgrade its reliance on existing wells which contain Cr6 above the anticipated MCL (if re-adopted). Funding for the Well #16 pumping station is a municipal loan with debt service via Surcharge #2, which was part of the 2016 adopted rate structure.

In September of 2016, the District was awarded Prop 84 funding in the amount of \$530,000 for Well 10 Cr6 Treatment Mitigation. Due to the delays in the state re-adoption of the Cr6 MCL, the District applied for and received approval from the grant administrator to reallocate the grant to the Well #16 project.

In addition, the District is working with other agencies to explore means to increase collaboration, including promulgation of conjunctive use.

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 and AB-1668. A rate study/cost of service analysis is underway, which will lead to Board consideration of a rates restructuring via the Proposition 218 process. The District is 100 % metered which aids the in the evaluation and monitoring of customer usage and will lead to more efficient water use via a tiered rate structure.

Regional Planning

The District is an active member of the Sacramento Groundwater Association (SGA) and the Sacramento Regional Utilities Collaboration Group. These entities provide an umbrella 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, 2020, the Budget was adopted by the Board at the August 19, 2019 public hearing. The budget adopted in August 2019 featured the first capital budget based directly on a

Board adopted capital improvement projects list. 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 Executive Committee works through public 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. Pursuant to District policy, the District adopts 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 concerted efforts of several staff members. I appreciate and acknowledge all staff who contributed to this report. Additionally, I express gratitude to the Rio Linda / Elverta Community Water District Board of Directors for their diligence, dedication, and support.

Sincerely,

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

BOARD OF DIRECTORS

Jason Green, President

Robert Reisig, Vice-President

John Ridilla, Director

Chris Gifford, Director

Mary Harris, Director

EMPLOYEES

Tim Shaw, General Manager

Pat Goyet, Operations Superintendent

Renita Lehman, Admin. Assistant

Deborah Denning, Accounting Specialist

Kimberly Bassett, Customer Service Tech I

Sara Cater, Conservation Coordinator

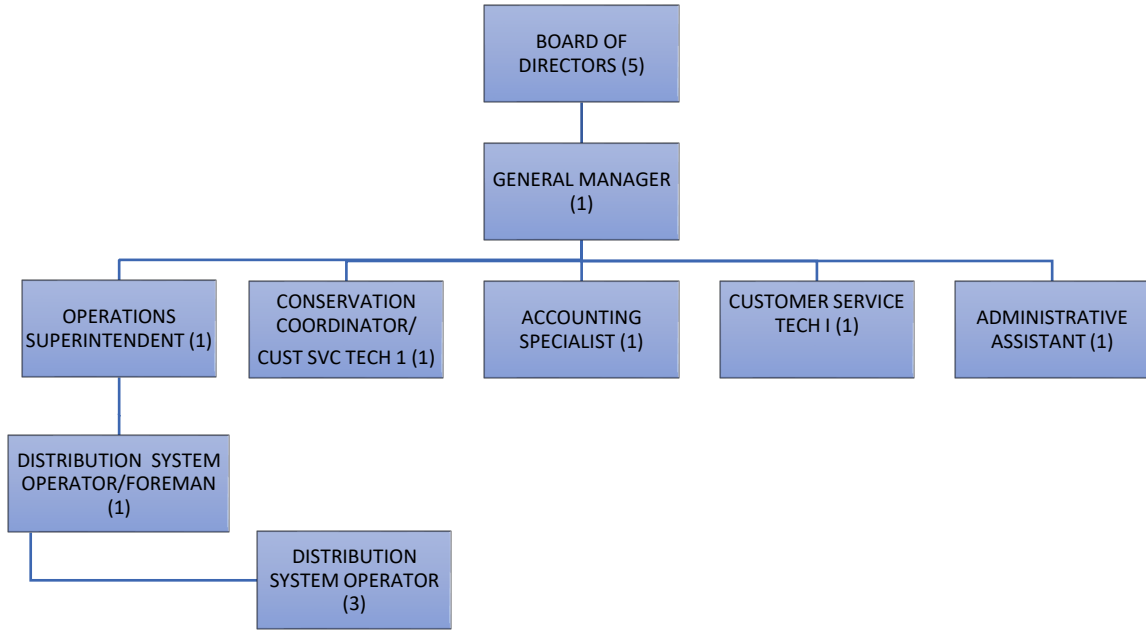
Justin Davis, Dist. System Op 3 / Forman

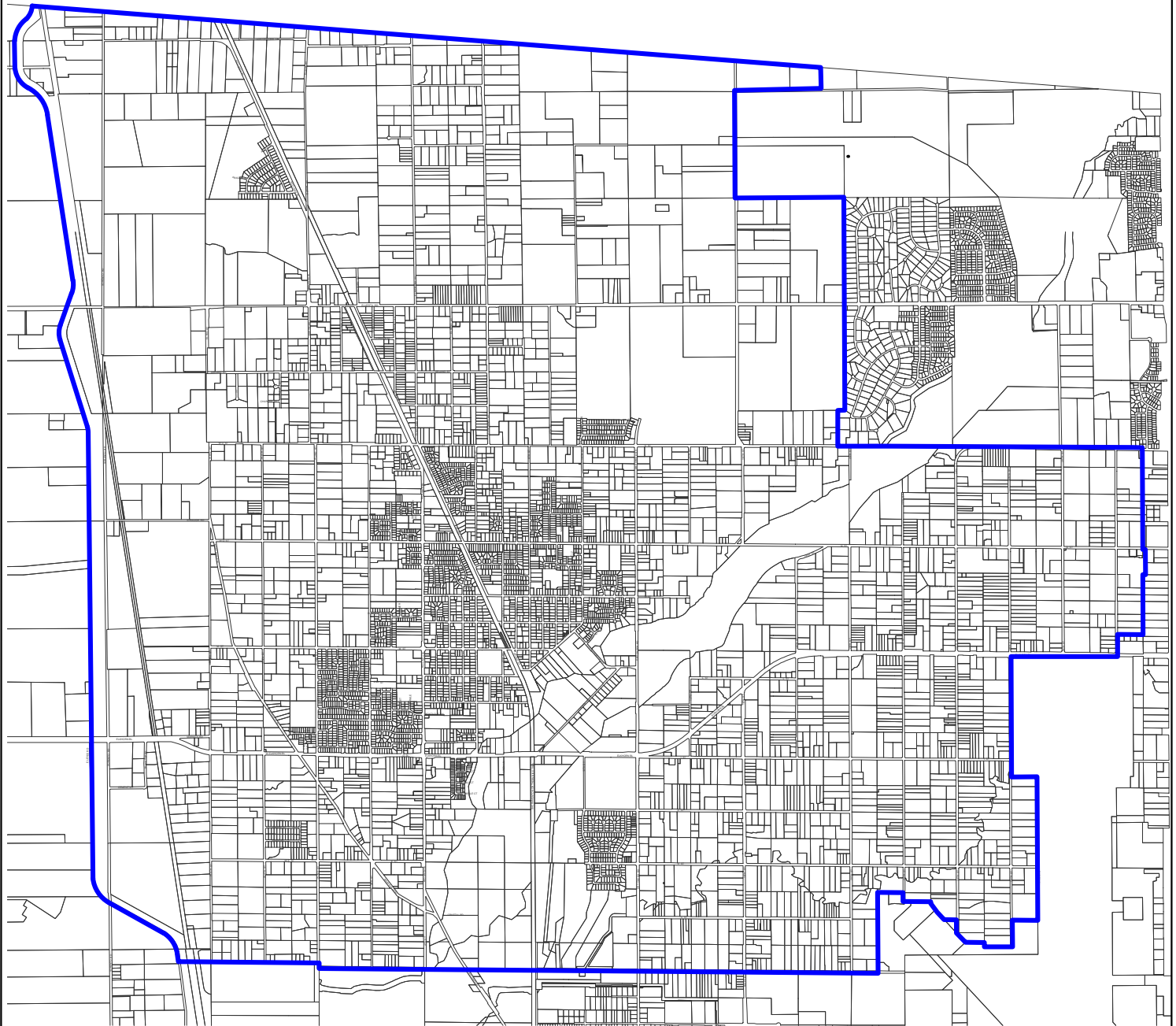
Frank Chacon, Dist. System Op 3

Richard Hayes, Dist. System Op 1

Jamaal Pete, Dist. System Op 1

Rio Linda Elverta Community Water District
Organizational Chart 2020





**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

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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, 2020 and 2019, 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, 2020, 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.

Board of Directors
Rio Linda/Elverta Community Water District

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.

Fechter & Company
Certified Public Accountants

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
September 22, 2020



MANAGEMENTS'S DISCUSSION AND ANALYSIS

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RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2020 and 2019

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, 2020 (FY 2019-20).

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 2019-20 and its financial position at the close of FY 2019-20.

- ❖ The District's assets exceeded its liabilities by \$11,545,161 as of June 30, 2020, which is an increase of \$1,717,999 compared to June 30, 2019. Total assets increased by \$4,656,687 while total liabilities increased by \$2,973,814. The deferred outflow decreased to \$227,638 and deferred inflows increased to \$102,763 as of June 30, 2020. The District's net investment in capital assets, \$8,842,880, 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 \$2,121,930, an increase of \$447,308 from the end of FY 2018-19.
- ❖ The District's operating revenues were \$2,800,111 and non-operating revenues were \$1,151,861, totaling \$3,951,972. Water sales to customers totaled 67% of all revenues.
- ❖ The District's total net long-term liabilities were \$10,503,230 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, 2020 and 2019

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.

Statement of Net Position

As of June 30, 2020, the total net position of the District was \$11,670,036. The following table summarizes assets, liabilities and net position at June 30, 2020, 2019, and 2018:

	2020	2019	2018
Current Assets, Unrestricted	\$ 3,402,506	\$ 2,916,941	\$ 1,992,373
Restricted Cash and Cash Equivalents	5,136,746	1,479,705	1,533,974
Capital assets, net	15,022,960	14,473,753	14,847,090
Total Assets	<u>23,562,212</u>	<u>18,870,399</u>	<u>18,373,437</u>
Total Deferred Outflows	227,638	262,764	347,606
Total Assets and Deferred Outflows	<u>23,789,850</u>	<u>19,133,163</u>	<u>18,721,043</u>
Current Liabilities	1,513,821	701,609	618,177
Long-Term Liabilities	10,503,230	8,341,628	9,198,981
Total Liabilities	<u>12,017,051</u>	<u>9,043,237</u>	<u>9,817,158</u>
Total Deferred Inflows	102,763	32,003	41,572
Total Liabilities and Deferred Inflows	<u>12,119,814</u>	<u>9,075,240</u>	<u>9,858,730</u>
Net Position			
Net investment in capital assets	8,842,880	7,681,068	7,519,910
Restricted debt service reserves	705,226	702,233	699,787
Unrestricted	2,121,930	1,674,622	642,616
Total Net Position	<u>\$ 11,670,036</u>	<u>\$ 10,057,923</u>	<u>\$ 8,862,313</u>

The District's net position reflects Debt Service restrictions imposed as its loan requirements.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2020 and 2019

Below is a summary analysis of changes:

Summary Analysis of Changes	2020 & 2019	2019 & 2018
Total Assets and Deferred Outflows	24.34%	2.20%
Total Liabilities and Deferred Inflows	33.55%	-7.95%
Total Net Position	16.03%	13.49%

Changes in Net Position

The following table summarizes the changes in net position for the fiscal years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018
Operating Revenues:			
Water sales	\$ 2,665,072	\$ 2,560,294	\$ 2,499,949
Other operating revenues	135,039	156,924	137,403
Total Operating Revenues	<u>2,800,111</u>	<u>2,717,218</u>	<u>2,637,352</u>
Operating Expenses:			
Personnel services	1,228,884	1,065,785	1,061,163
Professional services	102,556	149,693	177,479
Field operations	492,255	422,419	379,372
Conservation	-	5,844	5,946
Administration	207,356	236,116	230,626
Depreciation and Amortization	636,432	637,022	654,174
Total Operating Expenses	<u>2,667,483</u>	<u>2,516,879</u>	<u>2,508,760</u>
Net Income from Operations	132,628	200,339	128,592
Non-Operating Revenues (Expenses):			
Surcharge	962,068	949,903	743,152
Other non-operating revenues	189,793	156,217	108,561
Non-operating expenses	(268,276)	(252,635)	(228,634)
Net Non-Operating Revenues	<u>883,585</u>	<u>853,485</u>	<u>623,079</u>
Net income before capital contributions	<u>1,016,213</u>	<u>1,053,824</u>	<u>751,671</u>
Capital Contributions			
Capacity fees	90,900	51,705	129,808
Capital grants	505,000	-	-
Contributed assets	-	90,081	22,833
Total Capital Contributions	<u>595,900</u>	<u>141,786</u>	<u>152,641</u>
Change in net position	1,612,113	1,195,610	904,312
Net position, beginning of year	10,057,923	8,862,313	8,218,372
Prior period adjustment	-	-	(260,371)
Beginning net position, restated	<u>10,057,923</u>	<u>8,862,313</u>	<u>7,958,001</u>
Net position, end of year	<u>\$ 11,670,036</u>	<u>\$ 10,057,923</u>	<u>\$ 8,862,313</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis
June 30, 2020 and 2019

Changes from Fiscal Year 2018/2019 to Fiscal Year 2019/2020:

Total net position increased \$1,612,113 or 16.03% from fiscal year 2019 to 2020.

Total operating revenues increased \$82,893 or 3.05% from fiscal year 2019 to 2020. Operating revenue exceeded operating expenses by \$132,628. Operating expenses increased by \$150,604, a 5.98% increase from fiscal year 2019 to 2020.

Changes from Fiscal Year 2017/2018 to Fiscal Year 2018/2019:

Total net position increased \$1,195,610 or 13.49% from fiscal year 2018 to 2019.

Total operating revenues increased \$79,866 or 3.03% from fiscal year 2018, to 2019. Operating revenue exceeded operating expenses by \$200,339. Operating expenses increased by \$8,119, a 0.32% increase from fiscal year 2018 to 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District's net investment in capital assets was \$8,842,880 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 2019-20, principal on its collective debt was reduced by \$139,015 during the year. The District's total debt from its 2016 issuance now stands at approximately \$1.95 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 2019-20, principal on its collective debt was reduced by \$351,402 during the year. The District's total debt from the SRF Loan now stands at approximately \$4.01 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 \$48,281 during the year. The District's total debt from the Meter Replacement Loan now stands at approximately \$294,205.

During FY 18-19, the District entered into an installment sale agreement with Opus Bank for \$3.87 million. During FY 19-20, the District drew down \$3,210,040 and paid principal of \$210,000 on this debt. As of June 30, 2020, the District's total debt from the Opus Bank loan was \$3.00 million.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Management's Discussion and Analysis June 30, 2020 and 2019

Compensated absences, composed of vacation hours earned by employees that are payable upon termination or retirement, are valued at \$44,121 at the end of 2019-20, an increase of \$7,163 from the 2018-19 year-end amount of \$36,958.

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 2020-21 (\$2.8 M revenue and \$2.3 M expenses) with a 0.38% increase in income, a 3.31% decrease in expense, and a 19.1% increase in net income compared with the FY 2019-20 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. The District engaged a rates study consultant for another multi-year rates restructuring but does not include capacity fees review. The adoption of new laws (SB 555, SB 606, AB 1668) have created new requirements for water efficiency and limits on water loss. These laws also compel the District to modify the existing rate structure.

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 approximately \$200,000 per year.

A complex formula and practices deployed by CalPERS results in a lag between events impacting employee pension Unfunded Accrued Liability (UAL) and the CalPERS implementation of increased annual UAL payments. The net effect of these CalPERS formulas/practices is a much higher total interest amount paid by the employers. Additionally, the ramp up in annual payments is not linear, they increase in the first two years following a change are approximately 2 to 3%. The increase in the subsequent 18-years is in the 15 to 20% range. The increase in the annual payment the District will pay in July 2021 is at least 16% higher than the \$68,000 payment the District paid in July 2020. The District will consider exploring mitigation measures to offset the dramatic annual UAL payments it would otherwise incur.

In September 2017, the District was awarded Prop 84 funding in the amount of \$530,000 for Well 10 Cr6 Treatment Mitigation. The District recently received approval from the Department of Water Resources to reallocate the Well 10 grant to the Well 16 project, an alternative means for Cr6 mitigation. The construction of the Well 16 project is scheduled to be complete in October 2020.

Large-scale residential development remains on the horizon, but not in the financial planning range. 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. SB 13 was signed by the Governor, which may lead to a new form of development via accessory dwelling units. It is likely that any significant projects which would increase the number of connections or water demand will not occur until FY 2021-22.

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BASIC FINANCIAL STATEMENTS

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RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE DATA FOR JUNE 30, 2019)

	2020	2019
ASSETS		
Current Assets:		
Cash and investments	\$ 2,261,229	\$ 2,259,237
Accounts receivable	1,059,373	568,838
Accrued interest receivable	1,034	-
Inventory	68,728	58,009
Prepaid expenses	12,142	30,857
Total current assets	3,402,506	2,916,941
Restricted Assets		
Restricted cash and investments	5,136,746	1,479,705
Capital Assets, Net		
Capital assets	15,022,960	14,473,753
TOTAL ASSETS	23,562,212	18,870,399
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	227,638	262,764
LIABILITIES		
Current Liabilities:		
Accounts payable	636,506	114,191
Accrued salaries and benefits	51,272	31,701
Accrued interest payable	34,330	10,423
Deposits payable	113,716	97,206
Unearned revenue	49,255	49,255
Current portion of compensated absences liability	44,121	36,958
Current portion of long-term liabilities	584,621	361,875
Total current liabilities	1,513,821	701,609
Long-Term Liabilities:		
Unearned revenue	656,542	705,797
Bonds and loans payable	8,675,224	6,436,628
OPEB liability	115,693	211,573
Net pension liability	1,055,771	987,630
Total long-term liabilities	10,503,230	8,341,628
TOTAL LIABILITIES	12,017,051	9,043,237
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	20,431	5,192
Deferred OPEB inflows	82,332	26,811
TOTAL DEFERRED INFLOWS OF RESOURCES	102,763	32,003
NET POSITION		
Net investment in capital assets	8,842,880	7,681,068
Restricted for debt service reserves	705,226	702,233
Unrestricted	2,121,930	1,674,622
TOTAL NET POSITION	\$ 11,670,036	\$ 10,057,923

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, 2020
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
Operating revenues:		
Water sales	\$ 2,665,072	\$ 2,560,294
Account service charges	105,426	100,494
Other water service fees	29,613	56,430
Total operating revenues	2,800,111	2,717,218
Operating expenses:		
Personnel services	1,228,884	1,065,785
Professional services	102,556	149,693
Field operations:		
Transmission and distribution	162,156	128,878
Pumping	227,899	197,723
Transportation	15,334	17,144
Treatment	22,269	16,779
Other	64,597	61,895
Conservation	-	5,844
Administration	207,356	236,116
Depreciation	636,432	637,022
Total operating expenses	2,667,483	2,516,879
Operating income	132,628	200,339
Non-operating revenues and (expenses):		
Surcharge	962,068	949,903
Interest income	39,129	16,113
Property tax	95,164	87,964
Rental income	49,255	49,255
Loss on disposition of assets	6,245	2,885
Interest expense	(266,121)	(197,730)
Other non-operating expenses	(2,155)	(54,905)
Total non-operating revenues and (expenses)	883,585	853,485
Income before capital contributions	1,016,213	1,053,824
Capital Contributions		
Capacity fees	90,900	51,705
Capital grants	505,000	-
Contributed assets	-	90,081
Total capital contributions	595,900	141,786
Change in net position	1,612,113	1,195,610
Beginning net position	10,057,923	8,862,313
Ending net position	\$ 11,670,036	\$ 10,057,923

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, 2020
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
Cash flows from operating activities:		
Receipts from customers	\$ 2,326,086	\$ 2,637,880
Payments to suppliers	(271,856)	(793,189)
Payments to employees	(1,124,003)	(1,067,801)
Net cash provided by operating activities	930,227	776,890
Cash Flows from non-capital financing activities:		
Property taxes received	95,164	87,964
Net cash provided by non-capital financing activities	95,164	87,964
Cash flows from capital and related financing activities:		
Surcharge revenue received	962,068	949,903
Capacity fees	90,900	51,705
Capital grant	505,000	
Payments on long-term debt	(748,698)	(983,538)
Purchase and construction of capital assets	(1,185,639)	(170,719)
Proceeds from sale of asset	6,245	-
Abandonment of well project	-	(54,905)
Proceeds from the issuance of long-term debt	3,210,040	361,875
Interest and fees paid on long-term debt	(244,369)	(198,394)
Net cash provided (used) by capital and related financing activities	2,595,547	(44,073)
Cash flows from investing activities:		
Investment income received	38,095	17,746
Net cash provided by investing activities	38,095	17,746
Net increase in cash and cash equivalents	3,659,033	838,527
Cash and cash equivalents, beginning of year	\$ 3,738,942	\$ 2,900,415
Cash and cash equivalents, end of year	\$ 7,397,975	\$ 3,738,942
Cash and cash equivalents consist of the following:		
Unrestricted	\$ 2,261,229	\$ 2,259,237
Restricted	5,136,746	1,479,705
	\$ 7,397,975	\$ 3,738,942

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, 2019
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 132,628	\$ 200,339
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	636,432	637,022
Changes in assets and liabilities:		
Accounts receivable	(490,535)	(84,012)
Inventory	(10,719)	38,785
Prepaid expenses	18,715	11,822
Accounts payable	522,315	(29,724)
Accrued salaries and benefits	19,571	4,596
Deposits payable	16,510	4,674
Compensated absences	7,163	14,816
OPEB liability	(40,359)	(78,863)
Net pension liability	118,506	57,435
	\$ 930,227	\$ 776,890
 Supplemental Disclosure of Non-Cash Activities		
Donated capital assets	\$ -	\$ 90,081

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, 2020 and 2019

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 4,640 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 represents 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, 2020 and 2019

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, 2020 and 2019

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 \$5,000 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, 2020 and 2019

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 300 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.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 and 2019, are classified in the accompanying financial statements as follows:

	2020	2019
Cash and cash equivalents	\$ 2,261,229	\$ 2,259,237
Restricted cash and investments	5,136,746	1,479,705
Total Cash and Investments	\$ 7,397,975	\$ 3,738,942

Cash and investments as of June 30, 2020 and 2019, consisted of the following:

	2020	2019
Deposits with financial institutions		
Total Cash	\$ 6,568,892	\$ 3,028,707
Investments in Local Agency Investment Fund (LAIF)	304,201	205,000
Held by Bond Trustee:		
Money market mutual fund	64,694	201,027
Negotiable certificates of deposits	460,188	254,368
Government agency securities	-	49,840
Total Investments	829,083	710,235
Total Cash and Investments	\$ 7,397,975	\$ 3,738,942

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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 list below identifies the investment types that are authorized by the District’s investment policy.

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, 2020, the District’s permissible investments included the following instruments:

- Investment pool authorized under \$50 million Liquid CA Account Statues governed by Government Code Sections 16429.1-16429.4 AKA Local Agency Investment Fund of LAIF.
- California Employers Retiree Benefit Trust (CERBT).
- Money Market Mutual Funds governed by Government Code Sections 53601.6(b).

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.

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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2: CASH AND INVESTMENTS – CONTINUED

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:

	Total	12 Months or Less	13-24 Months	25-60 Months
Local Agency Investment Fund	\$ 304,201	\$ 304,201	\$ -	\$ -
Held by Bond Trustee:				
Money market mutual fund	64,694	64,694	-	-
Negotiable certificates of deposits	460,188	156,709	52,178	251,301
Total Investments	<u>\$ 829,083</u>	<u>\$ 525,604</u>	<u>\$ 52,178</u>	<u>\$ 251,301</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.

	Minimum Legal Rating	Total	Ratings as of Year End	
			AAA	Not Rated
Local Agency Investment Fund	N/A	\$ 304,201	\$ -	\$ 304,201
Held by Bond Trustee:				
Money market mutual fund	N/A	64,694	-	64,694
Negotiable certificates of deposits	N/A	460,188	-	460,188
Total Investments		<u>\$ 829,083</u>	<u>\$ -</u>	<u>\$ 829,083</u>

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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 2: CASH AND INVESTMENTS - CONTINUED

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, 2020, the carrying amount of the District's deposits were \$6,873,093 and the balances in financial institutions were \$6,850,815. Of the balance in financial institutions, \$1,054,201 was covered and \$5,796,614 was not covered by federal depository insurance. As of June 30, 2020, 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:

Reported Investment Type	Amount
Money market mutual funds	\$ 64,694
Negotiable certificates of participation	460,188

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, 2020 and 2019

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Nondepreciable:				
Land	\$ 576,673	\$ 1,185,639	\$ -	\$ 1,762,312
Construction in progress	1,313,099	-	-	1,313,099
Total nondepreciable assets	<u>1,889,772</u>	<u>1,185,639</u>	<u>-</u>	<u>3,075,411</u>
Depreciable:				
Water system facilities	20,760,312	-	-	20,760,312
General plant assets	733,399	-	(24,369)	709,030
Intangible assets	373,043	-	-	373,043
Total depreciable assets	<u>21,866,754</u>	<u>-</u>	<u>(24,369)</u>	<u>21,842,385</u>
Less: Accumulated depreciation				
Water system facilities	(8,541,014)	(572,827)	-	(9,113,841)
General plant assets	(480,627)	(46,895)	24,369	(503,153)
Intangible assets	(261,132)	(16,710)	-	(277,842)
Total accumulated depreciation	<u>(9,282,773)</u>	<u>(636,432)</u>	<u>24,369</u>	<u>(9,894,836)</u>
Net assets being depreciated	<u>12,583,981</u>	<u>(636,432)</u>	<u>-</u>	<u>11,947,549</u>
Total capital assets	<u>\$ 14,473,753</u>	<u>\$ 549,207</u>	<u>\$ -</u>	<u>\$15,022,960</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 3: CAPITAL ASSETS – CONTINUED

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions/ Transfers	Balance June 30, 2019
Nondepreciable:				
Land	\$ 496,673	\$ 80,000	\$ -	\$ 576,673
Construction in progress	1,250,106	84,085	(21,092)	1,313,099
Total nondepreciable assets	<u>1,746,779</u>	<u>164,085</u>	<u>(21,092)</u>	<u>1,889,772</u>
Depreciable:				
Water system facilities	20,717,060	43,252	-	20,760,312
General plant assets	712,767	80,252	(59,620)	733,399
Intangible assets	373,043	-	-	373,043
Total depreciable assets	<u>21,802,870</u>	<u>123,504</u>	<u>(59,620)</u>	<u>21,866,754</u>
Less: Accumulated depreciation				
Water system facilities	(7,965,838)	(575,176)	-	(8,541,014)
General plant assets	(492,299)	(45,136)	56,808	(480,627)
Intangible assets	(244,422)	(16,710)	-	(261,132)
Total accumulated depreciation	<u>(8,702,559)</u>	<u>(637,022)</u>	<u>56,808</u>	<u>(9,282,773)</u>
Net assets being depreciated	<u>13,100,311</u>	<u>(513,518)</u>	<u>(2,812)</u>	<u>12,583,981</u>
Total capital assets	<u>\$ 14,847,090</u>	<u>\$ (349,433)</u>	<u>\$ (23,904)</u>	<u>\$ 14,473,753</u>

Depreciation expense in the amount of \$636,432 and \$637,022 was recorded for the years ended June 30, 2020 and 2019, respectively, and is included with depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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, 2020, the District's loan balance was \$1,952,591.

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, 2020, the District's loan balance was \$4,013,009.

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, 2020, the District's loan balance was \$294,205.

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 16 and future wellhead treatment. Semi-annual principal payments, ranging from \$110,000 to \$155,000, and semi-annual interest payments, ranging from \$2,706 to \$49,201, are due on April 1 and October 1, through April 1, 2032. As of June 30, 2020, the District's loan balance was \$3,000,040.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements June 30, 2020 and 2019

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

The activity of the District's long-term liabilities during the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
State safe drinking water loan	\$ 4,364,411	\$ -	\$ (351,402)	\$ 4,013,009	\$ 179,096
2015 water revenue refunding	2,091,606	-	(139,015)	1,952,591	145,736
Water meter replacement loan	342,486	-	(48,281)	294,205	49,789
Opus Bank loan	-	3,210,040	(210,000)	3,000,040	210,000
Subtotal bonds and loans payable	6,798,503	3,210,040	(748,698)	9,259,845	584,621
Compensated absences	36,958	42,585	(35,422)	44,121	44,121
Net pension liability	987,630	68,141	-	1,055,771	-
Other post-employment benefits	211,573	10,035	(105,915)	115,693	-
	\$ 8,034,664	\$ 3,330,801	\$ (890,035)	\$ 10,475,430	\$ 628,742

The activity of the District's long-term liabilities during the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
State safe drinking water loan	\$ 4,706,952	\$ -	\$ (342,541)	\$ 4,364,411	\$ 174,579
2015 water revenue refunding	2,224,769	-	(133,163)	2,091,606	139,015
Water meter replacement loan	389,304	-	(46,818)	342,486	48,281
Opus Bank loan	99,141	-	(99,141)	-	-
Subtotal bonds and loans payable	7,420,166	-	(621,663)	6,798,503	361,875
Compensated absences	22,142	36,958	(22,142)	36,958	36,958
Net pension liability	1,033,555	-	(45,925)	987,630	-
Other post-employment benefits	262,349	22,178	(72,954)	211,573	-
	\$ 8,738,212	\$ 59,136	\$ (762,684)	\$ 8,034,664	\$ 398,833

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

The annual requirements to amortize the outstanding debt as of June 30, 2020, are as follows:

	Principal	Interest	Total
2021	\$ 594,621	\$ 214,393	\$ 809,014
2022	789,630	245,888	1,035,518
2023	809,796	222,914	1,032,710
2024	835,776	199,380	1,035,156
2025	862,931	175,035	1,037,966
2026-2030	4,434,509	500,339	4,934,848
2031-2032	932,582	26,478	959,060
	\$9,259,845	\$ 1,584,427	\$ 10,844,272

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 \$2,323,254 and \$2,523,985 at June 30, 2020 and 2019, respectively.

The District pledged surcharge fee revenues, to repay the 2011 State Safe Drinking Water Loan in the amount up to \$7,499,045. 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, 2020 and 2019, respectively. The total surcharge fee revenues were \$525,183 and \$524,907 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019. Total principal and interest remaining to be paid on the Bonds was \$4,571,598 and \$5,032,952 at June 30, 2020 and 2019, respectively.

The District pledged surcharge fee revenues, to repay the installment sale agreement with Opus Bank in the amount up to \$4,094,662. 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 \$270,312 and \$197,158 for the years ended June 30, 2020 and 2019, respectively. The total surcharge fee revenues were \$436,885 and \$424,996 for the years ended June 30, 2020 and 2019, respectively. The District is required to maintain net revenues at least 1.25 times total annual debt service. The District's surcharge revenues exceeded this requirement at June 30, 2020 and 2019. Total principal and interest remaining to be paid on the Bonds was \$3,000,040 and \$0 at June 30, 2020 and 2019, respectively.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

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, 2020 and 2019.

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, 2020, was \$705,797.

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:

	2020	2019
Debt service reserve on 2015 Water Revenue Refunding Bonds	\$ 243,871	\$ 240,878
Debt service reserve on State Loan	461,355	461,355
Total Cash and Investments	\$ 705,226	\$ 702,233

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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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. 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.

Funding Policy: The District has two tiers of participants, classic and PEPRAs. Active classic 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. Active PEPRAs plan members are required pay all of their employee share currently at 6.75%. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for the classic plan for fiscal year 2019/2020, 2018/2019, and 2017/2018 was 9.680%, 8.892%, and 8.418%, respectively. The required employer contribution rate for the PEPRAs plan for fiscal year 2019/2020, 2018/2019, and 2017/2018 was 6.985%, 6.842%, and 6.533%, 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, 2020, 2019, and 2018, were \$119,688, \$137,446, and \$126,796, respectively, which were equal to the required contributions each year.

At June 30, 2020, the District reported a liability of \$1,055,771 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, 2019, 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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2019, 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 – 7.0%
- Investment Rate – 7.0%
- Inflation Rate – 2.5%
- Salary Increases – Varies by Entry Age and Service
- COLA Increases – up to 2.5%
- Post-Retirement Mortality – Derived using CalPERS’ Membership Data for all Funds

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014, through June 30, 2018.

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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years > 10(b)
Global equity	50.0%	4.80%	5.98%
Global fixed income	28.0%	1.00%	2.62%
Inflation sensitive	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN – CONTINUED

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:

	Discount Rate		
	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Plan's net pension liability	\$ 1,642,844	\$ 1,055,771	\$ 571,182

For the fiscal year ended June 30, 2020, the District recognized a pension expense of \$238,194 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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN – CONTINUED

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 32,497	\$ -
Differences between Expected and Actual Experience	67,647	-
Differences between Projected and Actual Investment Earnings	-	18,458
Differences between Employer's Contributions and Proportionate Share of Contributions	594	259
Change in Employer's Proportion	7,212	1,714
Pension Contributions Made Subsequent to Measurement Date	119,688	-
Totals	\$ 227,638	\$ 20,431

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.

\$119,688 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 81,562
2022	(7,654)
2023	9,881
2024	3,730
Totals	\$ 87,519

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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Plan Description: The District administers a single-employer, defined-benefit, postemployment healthcare plan. The District’s retiree healthcare benefit is not subject to the Public Employees’ Medical & Hospital Care Act (PEMHCA) and the plan does not issue a stand-alone financial report. The District provides funding in varying amounts to eligible retirees to assist eligible retirees with their cost of maintaining healthcare insurance. Retiree health benefits are secured through outside providers and premiums are reimbursed by the District according to the rules and to the extent described below. Because retirees do not remain on the District's group health plans, there is no implicit rate subsidy.

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%

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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

Plan Description: (continued)

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.

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 is 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 management employee is receiving District-paid benefits not to exceed \$1,050 per month for retiree and spouse coverage.

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

Plan membership as of July 1, 2019, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Active plan members	9

Contributions: The contribution requirements of Plan members and the District are established and amended by the District. Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Contributions made on behalf of the plan members for the year ended June 30, 2020 were \$36,563.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. 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, 2020 and 2019

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:

Actuarial cost method	Entry Age, Level Percent of Pay
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	3.00 percent
Investment rate of return	5.75 percent, net of OPEB plan investment expense
Healthcare cost trend rate	5.90 percent for 2020; 5.80 percent for 2021; 5.70 percent for 2022; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 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, 2018 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	40%	5.5%
U.S. Fixed	43%	1.5%
TIPS	5%	1.2%
Real Estate	8%	3.7%
Commodities	4%	0.6%

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (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)	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2019	June 30, 2019	5.75%	3.13%	5.01%
June 30, 2020	June 30, 2020	5.75%	2.45%	5.75%

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, 2020 for the District.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2018	\$ 262,349	\$ -	\$ 262,349
Changes recognized for the service period:			
Service cost	1,649	-	1,649
Interest	9,099	-	9,099
Changes of assumptions	(22,885)	-	(22,885)
Employer contributions	-	38,534	(38,534)
Net investment income	-	105	(105)
Benefit payments	(22,178)	(22,178)	-
Net Changes	<u>(34,315)</u>	<u>16,461</u>	<u>(50,776)</u>
Balance at June 30, 2019	<u>\$ 228,034</u>	<u>\$ 16,461</u>	<u>\$ 211,573</u>
Changes recognized for the service period:			
Service cost	\$ 1,179	-	\$ 1,179
Interest	8,856	-	8,856
Difference between expected and actual experience	(57,042)	-	(57,042)
Changes of assumptions	(9,986)	-	(9,986)
Employer contributions	-	36,563	(36,563)
Net investment income	-	2,324	(2,324)
Benefit payments	(16,563)	(16,563)	-
Net Changes	<u>(73,556)</u>	<u>22,324</u>	<u>(95,880)</u>
Balance at June 30, 2020	<u>\$ 154,478</u>	<u>\$ 38,785</u>	<u>\$ 115,693</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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current discount rate:

	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
Net OPEB liability	\$ 125,935	\$ 115,693	\$ 106,387

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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

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 (4.90 percent decreasing to 4.00 percent) or 1- percentage-point higher (6.90 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	<u>Healthcare Cost Trend - 1%</u>	<u>Healthcare Cost Trend Assumed</u>	<u>Healthcare Cost Trend + 1%</u>
Net OPEB liability	\$ 113,230	\$ 115,693	\$ 117,580

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

At June 30, 2020, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 50,251
Change in assumptions	-	31,093
Differences between projected and actual return on plan investments	-	988
Totals	<u>\$ -</u>	<u>\$ 82,332</u>

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 8.4 years.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

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

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

Year Ending June 30,	Amount
2021	\$ (12,672)
2022	(12,672)
2023	(12,672)
2024	(12,369)
2025	(10,991)
2026	(9,788)
2027	(7,980)
2028	(3,188)
Totals	\$ (82,332)

Net OPEB Expense

For the year ended June 30, 2020, the District's OPEB expense was \$(3,796). Detail of the expense is shown below:

Service cost	\$ 1,179
Interest cost	8,856
Expected return on assets	(1,159)
Recognition of deferred outflows and inflows:	
Differences between expected and actual experience	(6,791)
Changes of assumptions	(5,630)
Differences between projected and actual experience	(251)
Total	(12,672)
Net OPEB Expense	\$ (3,796)

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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Notes to Basic Financial Statements
June 30, 2020 and 2019

NOTE 9: INSURANCE – CONTINUED

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
Liability – General, Auto, & Public Officials Errors & Omissions	\$ 5,000,000	\$ 5,000,000 - 55,000,000	None
Property Program	100,000	2,500,000 - 500,000,000	\$1,000 - \$100,000
Crime Program	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: SUBSEQUENT EVENT

Management has evaluated subsequent events through September 22, 2020, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19 has proven to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California and the County of Sacramento as yet has not been determined and therefore any potential impact on the District is not yet known.



ADDITIONAL INFORMATION

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Required Supplementary Information

Pensions

June 30, 2020

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

Last 10 Fiscal years*

Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Proportion of the net pension liability	0.02621%	0.02621%	0.02599%	0.02490%	0.02825%	0.02825%
Proportionate share of the net pension liability	\$1,055,771	\$987,630	\$1,033,555	\$902,961	\$611,042	\$611,042
Covered payroll	567,137	605,031	523,983	516,107	377,098	377,098
Proportionate share of the net pension liability as a percentage of its covered payroll	186.16%	163.24%	197.25%	174.96%	162.04%	162.04%
Plan Fiduciary net position as a percentage of the total pension liability	75.81%	77.02%	75.87%	81.32%	78.76%	78.76%

CALPERS - Schedule of District contributions:

Last 10 Fiscal Years*

Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 137,446	\$ 126,796	\$ 118,924	\$ 95,128	\$ 70,003	\$ 70,003
Contributions in relation to the actuarially determined contribution	<u>137,446</u>	<u>126,796</u>	<u>118,924</u>	<u>95,128</u>	<u>70,003</u>	<u>70,003</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District’s covered payroll	\$ 567,137	\$ 605,031	\$ 523,983	\$ 516,107	\$ 377,098	\$ 377,098
Contributions as a percentage of covered payroll	24.24%	20.96%	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, 2020

Last 10 Fiscal years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net OPEB liability			
Service cost	\$ 1,179	\$ 1,649	\$ 1,739
Interest	8,856	9,099	8,526
Plan contributions	(36,563)	(38,534)	(21,017)
Investment earnings	(2,324)	(105)	-
Differences between expected and actual experience	(57,042)	-	-
Change in assumptions	(9,986)	(22,885)	(9,723)
Net change in Net OPEB liability	<u>(95,880)</u>	<u>(50,776)</u>	<u>(20,475)</u>
Net OPEB liability - beginning	<u>211,573</u>	<u>262,349</u>	<u>282,824</u>
Net OPEB liability - ending	<u>\$ 115,693</u>	<u>\$ 211,573</u>	<u>\$ 262,349</u>
Covered payroll	\$ 703,736	\$ 668,161	\$ 604,181
Net OPEB liability as a percentage of covered payroll	16.44%	31.66%	43.42%
Plan fiduciary net position as a percentage of the total OPEB liability	25.11%	7.22%	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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Investment in Capital Assets	\$5,516,600	\$5,348,202	\$4,314,977	\$4,964,131	\$4,418,605	\$6,292,818	\$6,698,923	\$7,519,910	\$7,681,068	\$8,842,880
Restricted	386,433	999,879	1,328,912	1,949,873	2,146,937	699,145	699,787	699,787	702,233	705,226
Unrestricted	86,424	198,124	971,432	-233,673	540,312	705,527	819,662	642,616	1,674,622	2,121,930
Total Net Position	<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>	<u>\$10,057,923</u>	<u>\$11,670,036</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

	<u>2011</u>	<u>2012</u>	<u>2013 (Restated)</u>	<u>2014 (Restated)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
OPERATING REVENUE										
Water Sales	\$ 1,546,497	\$ 1,948,287	\$ 2,165,708	\$ 2,318,307	\$ 2,308,047	\$ 2,173,094	\$ 2,289,627	\$ 2,499,949	\$ 2,560,294	\$ 2,665,072
Account Service Charges	136,453	113,820	102,306	108,628	102,983	95,530	102,660	102,010	100,494	105,426
Other Water Service Fees	13,688	81,951	17,193	8,153	17,467	31,735	45,202	35,393	56,430	29,613
Total Operating Revenues	1,696,638	2,144,058	2,285,207	2,435,088	2,428,497	2,300,359	2,437,489	2,637,352	2,717,218	2,800,111
OPERATING EXPENSES										
Personnel Services	698,360	658,431	696,810	740,854	762,133	733,073	986,515	1,061,163	1,065,785	1,228,884
Professional Services	478,968	613,868	531,433	187,460	146,459	138,340	175,449	177,479	149,693	102,556
Field Operations										
Transmission & Distribution	53,781	31,166	64,170	19,377	77,694	67,778	101,896	96,154	128,878	162,156
Pumping	190,191	202,394	209,235	190,788	174,093	198,706	192,760	187,256	197,723	227,899
Transportation	16,450	25,381	24,595	22,964	18,112	15,484	14,869	16,660	17,144	15,334
Treatment	20,198	19,580	17,512	12,923	13,005	14,562	16,579	17,487	16,779	22,269
Other	168,342	76,906	90,707	37,637	52,491	60,127	42,038	61,815	61,895	64,597
Conservation	1,896	925	7,551	10,041	11,549	14,545	11,544	5,946	5,844	-
Administrative Expenses	217,313	172,595	255,943	189,048	235,369	218,905	228,942	230,626	236,116	207,356
Depreciation and Amortization	321,697	306,646	278,118	1,456,071	978,027	609,090	624,455	654,174	637,022	636,432
Total Operating Expenses	2,167,196	2,107,892	2,176,074	2,867,163	2,468,932	2,070,610	2,395,047	2,508,760	2,516,879	2,667,483
Operating Income (Loss)	(470,558)	36,166	109,133	(432,075)	(40,435)	229,749	42,442	128,592	200,339	132,628
NON-OPERATING INCOME (EXPENSES)										
Surcharge	462,681	510,577	517,201	523,538	565,286	481,329	729,739	743,152	949,903	962,068
Interest Income	575	464	797	5,628	7,577	14,513	3,935	3,703	16,113	39,129
Miscellaneous Income	3,319	284	2,626	259	-	-	-	-	-	-
Property Taxes	63,296	60,439	71,198	67,410	78,620	46,454	75,951	81,653	87,964	95,164
Rental Income	69,464	75,406	77,608	80,299	58,405	49,255	49,255	49,255	49,255	49,255
Gain (Loss) on Sale of Assets			(360,335)	-	6,855	(45,899)	(14,048)	(26,050)	2,885	6,245
Lawsuit	102,057	-	-	-	-	-	-	-	-	-
Interest Expense	(186,898)	(210,838)	(181,774)	(178,249)	(225,190)	(238,303)	(224,195)	(209,540)	(197,730)	(266,121)
Other Non-Operating Expenses	(2,658)	(1,700)	(1,865)	(1,800)	(65,803)	(2,103)	(207,253)	(19,094)	(54,905)	(2,155)
Total Non-Operating Revenues (Expenses)	511,836	434,632	125,456	497,085	425,750	305,246	413,384	623,079	853,485	883,585
Income (Loss) Before Capital Contributions	41,278	470,798	234,589	65,010	385,315	534,995	455,826	751,671	1,053,824	1,016,213
Capital Contributions										
Capacity Fees	-	-	-	-	27,610	48,420	36,650	129,808	51,705	90,900
Capital Grants	-	-	-	-	-	-	-	-	-	505,000
Contributed Assets	-	85,950	-	-	12,598	20,222	28,593	22,833	90,081	-
Development Fees	-	-	-	-	-	-	-	-	-	-
Total Capital Contributions	-	85,950	-	-	40,208	68,642	65,243	152,641	141,786	595,900
Change in Net Position	41,278	556,748	234,589	65,010	425,523	603,637	521,069	904,312	1,195,610	1,612,113

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

Meter Sizes	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Flat Bi-Monthly Service Charge										
(600 cu ft. Usage Charge Included)										
5/8" Meter	\$ 41.18	\$ 42.54	\$ 49.79	\$ 51.47	\$ 53.22	\$ 55.04	\$ 56.73	\$ 57.75	\$ 58.80	\$ 59.86
3/4" Meter	\$ 49.38	\$ 51.02	\$ 59.70	\$ 61.72	\$ 63.82	\$ 66.00	\$ 56.73	\$ 57.75	\$ 58.80	\$ 59.86
1" Meter	\$ 73.98	\$ 76.44	\$ 89.45	\$ 92.47	\$ 95.62	\$ 98.88	\$ 94.55	\$ 96.26	\$ 98.00	\$ 99.77
1 1/2" Meter	\$ 143.68	\$ 148.44	\$ 173.71	\$ 179.47	\$ 185.69	\$ 192.03	\$ 189.10	\$ 192.51	\$ 195.99	\$ 199.53
2" Meter	\$ 229.78	\$ 237.40	\$ 277.81	\$ 287.20	\$ 296.97	\$ 307.11	\$ 302.55	\$ 308.02	\$ 313.59	\$ 319.25
3" Meter	\$ 430.66	\$ 444.96	\$ 520.70	\$ 538.30	\$ 556.61	\$ 575.61	\$ 661.84	\$ 673.79	\$ 685.97	\$ 698.37
4" Meter	\$ 717.64	\$ 741.46	\$ 867.68	\$ 897.01	\$ 927.52	\$ 959.18	\$ 1,191.31	\$ 1,212.83	\$ 1,234.74	\$ 1,257.06
Tier Schedule Bi-Monthly										
(\$ / 100 cubic feet (CCF))										
5/8" Meter										
Tier 1 (601 - 2,600)	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.62	\$ 0.64	N/A	N/A	N/A	N/A
Tier 2 (2,601 - 15, 600 CCF)	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78	\$ 0.80	N/A	N/A	N/A	N/A
Tier 3 (15,601 +)	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.98	\$ 1.01	N/A	N/A	N/A	N/A
3/4 - 1 1/2" Meter										
Tier 1 (601 - 5,800)	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.62	\$ 0.64	N/A	N/A	N/A	N/A
Tier 2 (5,801 - 44,800 CCF)	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78	\$ 0.80	N/A	N/A	N/A	N/A
Tier 3 (44,801 +)	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.98	\$ 1.01	N/A	N/A	N/A	N/A
2" to 4" Meter										
Tier 1 (601 - 55,200)	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.62	\$ 0.64	N/A	N/A	N/A	N/A
Tier 2 (55,201 - 286,000 CCF)	\$ 0.68	\$ 0.70	\$ 0.73	\$ 0.75	\$ 0.78	\$ 0.80	N/A	N/A	N/A	N/A
Tier 3 (286,001 +)	\$ 0.86	\$ 0.88	\$ 0.91	\$ 0.94	\$ 0.98	\$ 1.01	N/A	N/A	N/A	N/A
Inactive Meter Charge: Fixed Rate	N/A	N/A	\$44.63	\$ 46.01	\$ 47.34	\$ 48.98	\$ 52.34	\$ 51.63	\$ 52.50	\$ 53.39
Capital Improvement Surcharge										
(Restricted Funds)	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00
CR6 Surcharge (Restricted Funds)								\$ 7.90	\$ 15.80	\$ 15.80
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	\$ 0.55	\$ 0.77	\$ 0.79	\$ 0.81
Drought Rate										
Stage : 30%	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.63	\$ 0.88	\$ 0.90	\$ 0.92
Stage : 40%	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.73	\$ 1.02	\$ 1.05	\$ 1.08
Stage: 50%	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.88	\$ 1.23	\$ 1.26	\$ 1.29

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water Sales:										
Residential	\$ 1,294,125	\$ 1,647,916	\$ 1,837,442	\$ 2,011,151	\$ 1,973,254	\$ 1,926,866	\$ 2,009,517	\$ 2,138,326	\$ 2,215,321	\$ 2,400,347
Non-Residential (A)	402,513	496,142	447,765	307,156	334,793	246,228	280,110	361,623	344,973	264,724
Total Water Sales	<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>	<u>\$ 2,560,294</u>	<u>\$ 2,665,072</u>
Total Water Deliveries (AF)	2,543.3	2,857.1	3,052.3	2,449.4	2,109.5	2,097.7	2,233.0	2,488.2	2,445.5	2,595.3
Rate per Acre Foot (AF)	\$ 667.10	\$ 750.43	\$ 748.68	\$ 946.48	\$ 1,094.12	\$ 1,035.94	\$ 1,025.36	\$ 1,004.72	\$ 1,046.94	\$ 1,026.87

(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 2020

Revenue Generated from 7/1/2019 to 6/30/2020

Ratepayer	Revenues Collected	Percent of Total Water Sales
Rio Linda Jr High School	\$ 24,232.26	0.91%
Rio Linda Senior High School	\$ 20,553.24	0.77%
Westside Park-RLERPD	\$ 14,468.78	0.54%
Bell Aqua Apartments	\$ 9,876.46	0.37%
Rio Linda School District	\$ 9,804.02	0.37%
Orchard Elementary School	\$ 9,455.46	0.35%
Comm. Cntr RLERPD	\$ 7,604.09	0.29%
Larane Investments, LLC	\$ 7,288.71	0.27%
Babe Best Park RLERPD	\$ 7,287.13	0.27%
Elverta School	\$ 6,138.75	0.23%
Total	\$ 116,708.90	4.38%

Total Water Sales \$ 2,665,072.00

Fiscal Year 2011

Revenue Generated from 7/1/2010 to 6/30/2011

Ratepayer	Revenues Collected	Percent of Total Water Sales
Rio Linda Jr. High School	\$14,451.49	0.85%
Westside Park - RLERPD	\$7,788.46	0.46%
Rio Linda Senior High School	\$6,939.97	0.41%
CRP Properties, Inc.	\$5,902.14	0.35%
Babe Best Park RLERPD	\$4,689.30	0.28%
Orchard Elementary School	\$4,540.66	0.27%
SYAR Concrete LLC	\$4,156.79	0.25%
Bell Aqua Apartments	\$3,584.32	0.21%
RLSD Dry Creek Elementary	\$3,482.99	0.21%
Comm. Cntr RLERPD	\$3,188.79	0.19%
Total	\$58,724.91	3.46%

\$ 1,696,638

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Revenue	\$ 41,278	\$ 556,748	\$ 234,589	\$ 65,010	\$ 425,523	\$ 603,637	\$ 521,069	\$ 904,312	\$ 1,195,610	\$ 1,612,113
Debt Service	3,310,000	5,327,267	6,454,132	6,705,345	9,673,174	8,322,613	7,829,402	7,420,165	6,798,503	9,259,845
Coverage	1%	10%	4%	1%	4%	7%	7%	12%	18%	17%

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

Debt:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water Revenue Refunding Bonds	\$ 3,310,000	\$ 3,215,000	\$ 3,120,000	\$ 3,020,000	\$ 2,688,622	\$ 2,478,622	\$ 2,353,846	\$ 2,224,769	\$ 2,091,606	\$ 1,952,591
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	4,364,411	4,013,009
Surcharge 2 Loan	-	-	-	-	-	-	-	99,141	-	3,000,040
Meter Replacement Loan	-	-	-	-	-	478,494	434,703	389,304	342,486	294,205
Legal Settlement	-	-	89,000	53,400	17,800	-	-	-	-	-
Total Debt	\$ 3,310,000	\$ 5,327,267	\$ 6,543,132	\$ 6,758,745	\$ 9,690,974	\$ 8,322,613	\$ 7,829,402	\$ 7,420,166	\$ 6,798,503	\$ 9,259,845
Number of Service Connections	4616	4616	4617	4617	4618	4622	4628	4636	4637	4640
Debt Per Capita	717.07	1154.09	1417.18	1463.88	2098.52	1800.65	1691.75	1600.55	1466.14	1995.66

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Personal Income (1)	\$ 57,564,251	\$ 60,721,694	\$ 62,440,643	\$ 65,126,187	\$ 69,870,482	\$ 72,878,458	\$ 76,832,120	\$ 80,969,087	85,775,621	unavailable
Population (1)	1,435,601	1,448,771	1,463,149	1,482,026	1,501,335	1,514,460	1,530,615	1,540,975	1,541,301	1,555,365
Per Capita Personal Income (1)	\$ 40,098	\$ 41,913	\$ 42,676	\$ 43,944	\$ 47,811	\$ 48,850	\$ 50,197	\$ 52,544	\$ 55,266	unavailable
Unemployment Rate (2)	12.1%	10.5%	8.9%	7.3%	5.5%	4.6%	4.0%	3.80%	3.70%	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	Fiscal Year			Fiscal Year		
	2019			2010		
	Average Number of Employees	Rank	Percentage of Total County Employment	Average Number of Employees - (a)	Rank	Percentage of Total County Employment
State of California	76,131	1	10.73%	72,120	1	12.26%
UC Davis Health System	12,674	2	1.79%	8,580	3	1.08%
Kaiser Permanente	11,404	3	1.61%	6,367	7	1.46%
Sacramento County	11,330	4	1.60%	11,300	2	1.92%
US Government	10,227	5	1.44%			
Sutter Health Sacramento Sierra Region	8,809	6	1.24%	6,958	4	1.18%
Dignity Health	7,000	7	0.99%			
Elk Grove Unified School District	6,381	8	0.90%	5,619	8	0.00%
Intel Corp	6,200	9	0.87%	6,515	6	1.11%
San Juan Unified School District	5,190	10	0.73%	4,600	9	
Sacramento City Unified School District				4,500	10	0.77%
Mery/Catholic Healthcare West				6,942	5	1.18%
	155,346		21.90%	133,501		20.96%
Total Employed in Sacramento County	709,300			588,200		

* 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.

Source: Sacramento Business Journal, Book of Lists 2019 Vol. 36 No. 45 and Book of List 2011 Vol. 28 No. 43

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

Operating Information

Capital Assets

Last Ten Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital Assets Not Being Depreciated										
Land	\$ 410,723	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 496,673	\$ 576,673	\$ 576,673
Construction in Progress	<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>	<u>1,313,099</u>	<u>2,498,738</u>
Total Not Being Depreciated	<u>1,429,805</u>	<u>3,587,459</u>	<u>635,649</u>	<u>1,664,240</u>	<u>1,128,507</u>	<u>1,085,667</u>	<u>1,134,440</u>	<u>1,746,779</u>	<u>1,889,772</u>	<u>3,075,411</u>
Capital Assets Being Depreciated										
Water System Facilities	11,285,184	11,303,047	15,059,075	15,192,373	19,096,450	20,039,978	20,562,699	20,717,060	20,760,312	20,760,312
General Plant Assets	792,013	792,013	721,407	727,008	603,967	594,236	606,507	712,767	733,399	709,030
Intangible Assets	363,185	373,865	407,225	407,225	407,225	403,145	373,043	373,043	373,043	373,043
Less Accumulated Depreciation	<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>	<u>(9,282,773)</u>	<u>(9,894,836)</u>
Total Not Being Depreciated, Net	<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>	<u>12,583,981</u>	<u>11,947,549</u>
Capital Assets, Net	<u><u>\$ 8,309,700</u></u>	<u><u>\$ 10,197,335</u></u>	<u><u>\$ 10,769,109</u></u>	<u><u>\$ 11,288,494</u></u>	<u><u>\$ 14,091,779</u></u>	<u><u>\$ 14,484,419</u></u>	<u><u>\$ 14,435,341</u></u>	<u><u>\$ 14,847,090</u></u>	<u><u>\$ 14,473,753</u></u>	<u><u>\$ 15,022,960</u></u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
WATER SERVICES										
Number of Service Connections	4,616	4,616	4,617	4,617	4,618	4,622	4,628	4,636	4,637	4,640
Annual Demand in AF	2,543.3	2,857.1	3,052.3	2,449.4	2,109.5	2,097.5	2,285.9	2,488.1	2,488.5	2,690.0
Max Monthly Demand in Gallons	122,432,020	142,225,142	149,404,660	115,965,570	87,014,897	97,962,392	107,432,399	120,549,805	120,520,384	118,923,764
Maximum Day Demand in Gallons	2,270,541	2,586,101	2,762,771	2,217,013	1,909,354	3,265,413	3,465,561	3,888,703	3,757,658	3,964,125
METERS										
New Installations	0	0	0	0	0	4	7	7	1	2
Replacement	0	0	60	349	179	1,087	377	475	325	381
HYDRANTS										
New Installations	0	0	0	0	0	1	0	0	0	4
Replacement	0	0	0	0	2	0	0	0	1	0
LEAKS										
Water Main	2	0	0	1	2	3	2	0	8	1
Service	58	71	75	76	82	66	66	80	70	83
MAIN LINE VALVES										
New Installations	0	0	0	0	0	0	0	0	0	11
Replacement	0	0	3	0	0	0	2	0	0	2
SERVICES										
New Installations	0	0	0	0	3	4	7	7	0	2
Replacement	0	0	0	1	0	10	29	34	19	10
MAJOR FACILITIES										
Wells	9	11	11	11	11	11	11	11	11	11
Tank	1	1	1	1	2	2	2	2	2	2
Booster Station	1	1	1	1	2	2	2	2	2	2
Pressure Regulation Valves	2	2	2	2	2	2	2	2	2	2
Miles of Pipeline	61.72	61.72	61.72	61.72	62.10	62.10	62.10	62.10	62.10	62.43
PERSONNEL										
Management	1	1	1	1	1	1	1	1	1	1
Administration	4	3	3	4	4	4	4	4	4	4
Field Operations	5	3	3	5	5	5	5	5	5	5
	10	7	7	10	10	10	10	10	10	10



COMPLIANCE SECTION

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September 22, 2020

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, 2020. 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 9, 2020. 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 September 22, 2020.

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**

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