

Agenda Item No. 5

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

*1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458*

March 7, 2012

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: **Rio Linda/Elverta Community Water District – Draft
Municipal Service Review – Report Back (L AFC 07-10)**

RECOMMENDATION

Receive and file status report.

DISCUSSION

This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since January 18, 2012.

I. Board of Directors

The Board of Directors are scheduled to attend a Governance Training class sponsored by Special District Risk Management Association (SDRMA) on March 27th. Four Board seats will be open for the November, 2012 election.

II. Progress of Well and Pipeline Construction

Well No. 15

The District has completed drilling Well No. 15 and completed construction of the pipeline. The well is not operational and will be completed by the Spring of 2013 because construction is not permitted in wetland areas between October 15th and April 15th. Optimistically, this well could be operational by the Fall of 2012. The District has gone out to bid and awarded a contract to complete the pump, generator installation,

connect to the new pipeline, and complete the seal coat for asphalt related to the pipeline construction.

The contract amount is for \$1.2 million and is budgeted in the State loan.

Well No. 14

The District is still working with CDPH to get approval to drill a test/monitoring on District property know as Well No. 14. This site is currently owned by the District. The work on the test well can commence as soon as approval is granted because it is not situated in a wetland area.

The District has completed the environmental review which was approved by CDPH, however, they need to amend the scope of work in the State contract before construction of the test well can begin. The District will be working with a well contractor they previously used to negotiate a cost to drill a test well at this location. The District estimates that the test well will be approximately 500 feet deep to reach the mid-aquifer.

If both water quality and water quantity are satisfactory the District will proceed with a permanent well and facilities. Once water quality and quantity are known, the District will determine if a third well will be required to meet CDPH Compliance Orders.

The District is also required to cap the well that has been constructed but can't be used.

III. Status of CDPH Compliance Orders

The water quality and quantity continue to be satisfactory. Water pressure is subject to variation because of leaks and equipment failures. However, generally, water pressures remain adequate and comply with CDPH standards.

CDPH has completed it Bi-Annual Report. This report was presented to the RLECWD Board on February 22, 2012. A copy of this report is attached. Section "H" of this report summarizes the overall system appraisal. CDPH indicates that the District water system appears to be in good condition.

The District is currently working on adding three new water wells to address inadequate source water capacity. Additionally, the District is in the process of reactivating Well No. 3 and has installed a 16-inch water line near Well No. 15 that will enable the District to better utilize its SSWD interconnection until the three new wells come on line. The District has implemented water conservation measures to reduce customer water use. The District continues to be under two compliance orders, 01-09-07-CO-004, which addresses the District's lack of source capacity to meet Peak Hour Demand and directs the District to construct three new wells, respectively, due to the frequent change of General Managers, the CDPH issued citation No. 01-09-10-CIT-003 after the District failed to

submit monthly and annual reports to the Department that directed the District to prepare an Operations and Maintenance Plan. The Operations and Maintenance Plan was completed by June 1, 2011 and it has been reviewed and approved by CDPH.

IV. Sacramento Suburban Water District Interconnection

No changes in the operation or status of the intertie with Sacramento Suburban Water District. This is an annual agreement and expires in Spring of 2012. RLECWD is in the process of renewing this annual agreement and is working with SSWD on this issue.

V. Status of District Operations

District Financial Condition

The FY 2009-10 Financial Audit is complete and has been presented to the Board of Directors at the February 22, 2012 Board meeting. A copy of the Financial Audit is attached to this report. The Auditor's could not express an opinion on the District's Financial Statements because of the departures from generally accepted accounting principles and uncertainties in regards to internal controls.

The District continues to operate at a loss. The FY 2009-10 loss is \$195,532. Also, it is likely that the FY 2010-11 Financial Audit will result in similar audit findings. The District is taking corrective actions to address the Auditor's findings, however, it may a couple of years to address many of the Auditor's concerns.

The District recently authorized the Auditor to conduct a separate Audit to review bank accounts from 2005 to 2010. This Audit is anticipated to be completed by April, 2012. Once this audit is complete, the Auditor will commence the FY 2010-11 Financial Audit.

The District's account payables are current, however, cash flow remains tight.

Credit card usage and policies are still being discussed by the Board.

A planned and approved water rate adjustment of 3 percent has been implemented on January 20, 2012.

Staffing and Employee Relations

A labor agreement and health benefit package was reached with the labor union. There do not appear to be any outstanding issues at this time.

Urban Water Management Plan

The District will be issuing a Request for Proposal to solicit bids from consultants to prepare and update its Urban Water Management Plan.

Liability Insurance

The Association of California Water Agencies (ACWA) has notified the District that they are considering cancelling the District's liability insurance because of the many previous and current lawsuits. The Executive Committee of ACWA met on January 31, 2012 to consider whether to recommend to their Board to cancel the insurance for property losses and liability claims. The Executive Committee will bring a recommendation forward at the spring ACWA Conference on May 7, 2012.

LAFCo contacted the Special District Risk Management Association to see if they would assist RLECWD in finding a commercial broker. SDRMA has contacted a broker who is reviewing the situation.

District Operations

The General Manager's report for January 5, 2012 to February 6, 2012 is attached highlighting the status of various district operations. Routine well site inspections are being made in order to keep on top of problems and in order to implement preventative maintenance activities.

Pending Litigation as of February 22, 2012

1. CONFERENCE WITH GENERAL COUNSEL – PENDING LITIGATION - The Board of Directors will meet in closed session pursuant to Government Code § 54956. 9(a) (Teamsters Local 150 v. RLECWD, PERB case # SA-CE-736M).
2. CONFERENCE WITH GENERAL COUNSEL – PENDING LITIGATION - The Board of Directors will meet in closed session pursuant to Government Code § 54956. 9(a). Myers v. RLECWD (Unemployment Insurance Appeals Board case # AO-277695).
Note: The Appeals Board denied the appeal for Unemployment Insurance Claim.
3. CONFERENCE WITH GENERAL COUNSEL – PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE - The Board of Directors will meet in closed session pursuant to Government Code § 54957(b)(1).
4. CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956. 9(b)(1) - Pending litigation matter for Liz Myers, United States Federal District Court Case # 2:11-cv-02671-MCE-EFB.
5. CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956. 9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case #34-2011 -001 03481.
6. CONFERENCE WITH GENERAL COUNSEL- The Board of Directors will meet in closed session pursuant to Government Code § 54956. 9(b)(3)(B). The Board of Directors will discuss past due invoices from Best, Best & Krieger from 2010.

The Board of Directors decided not to pay past due invoices for Best, Best & Krieger.

VI. Issues

The Board seems to have a consensus on the importance of capital improvements and the need to construct the necessary wells to comply with CDPH Compliance Orders, however, other issues appear to be problematic.

Legal issues and legal costs remain to be a significant problem.

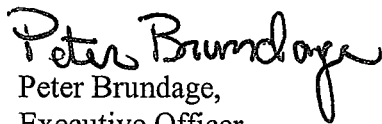
Generally, the District has made progress to address the water pressure, water quality and water quantity issues based on CDPH Compliance Orders. The General Manager has indicated that most of the outstanding issues have been discovered, identified and corrective actions are being taken, however, the potential exists for existing outstanding issues to be discovered.

VII. Next Steps

LAFCo staff will continue to work with CDPH and the District to monitor the situation. We will keep the Commission informed.

Respectfully Submitted;

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION


Peter Brundage,
Executive Officer

cc: Board of Directors and General Manager RLECWD
California Department of Public Health
Sacramento Grand Jury





RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

730 L Street
PO Box 400
Rio Linda, Ca 95673
Office (916)991-1000
Fax (916)991-6616

Board of Directors Special Meeting

Wednesday, February 22, 2012
Meeting will begin at 6:45 P.M.
Closed Session will begin at 9:30 P.M.

Meeting Location:
Visitor's / Depot Center
6730 Front St
Rio Linda, CA 95673

Remote Location:
Director Courtney Caron
510 S. Spring Street, in lobby
Los Angeles, CA 90013

The next Regular Meeting is scheduled for
Monday, March 19, 2012 at 6:30 p.m.
at 6730 Front Street, Rio Linda

It is the intent of the Board that meetings shall remain as informal as reasonably possible consistent with the business needs of the District. The Board President or a majority of the Board may invoke formal proceedings pursuant to Robert's Rules of Order should action be deemed necessary. The Board may discuss and take action on any item listed on this agenda including items listed as information items. The Board may also listen to other items that do not appear on this agenda, but the board will not discuss or take any action on those items, except for items determined by the Board pursuant to state law to be of an emergency or urgent nature requiring immediate action. Copies of the agenda are posted at the Community Center, the District Office and on the District's Web Site at <http://www.RLECWD.com>. All documents relating to items listed on this agenda are available for public inspection at the District office: 730 L Street, Rio Linda, California. The public will be given the opportunity to directly address the Board on each listed item during the Boards consideration of that item. An opportunity for public comment on other items within the jurisdiction of the Board is offered under the item "Public Comment" and such comments are welcomed. Reasonable time limitations may be imposed on each speaker by the Board President. The Board may address any items in any order as approved by the Board.

Upon request, agendas and documents in the agenda packet will be made available in appropriate alternative formats to persons with a disability, as required by law. Any such request must be made in writing to the Rio Linda/Elverta Community Water District, 730 L Street, or P.O. Box 400, Rio Linda, CA 95673. Requests will be valid for the calendar year in which the request is received and must be renewed prior to January 1st of the next year. Persons needing disability-related modifications or accommodations in order to participate in public meetings, including persons requiring auxiliary aids or services, may request such modifications or accommodations by calling the Rio Linda/Elverta Community Water District at (916) 991-1000 at least 48 hours prior to the meeting.

Rio Linda / Elverta Community Water District, Board of Directors

Jerry Trautman, President Frank Caron, Director Vivien Spicer-Johnson, Director
Cathy Hood, Vice President Courtney Caron, Director

General Manager/Secretary to the Board
Mary Henrick

CALL TO ORDER AND ROLL CALL	The President will call the meeting to order and take roll.
PLEDGE OF ALLEGIANCE	The President will lead the pledge of allegiance.
ANNOUNCEMENTS	
PUBLIC COMMENT	Members of the public are invited to speak to the Board regarding items within the subject matter jurisdiction of the District that are not on the agenda or items on the consent agenda. Each speaker may address the Board once under Public Comment for a limit of 2 minutes. (Policy Manual 2.01.160) The Board cannot act on items not listed on the agenda and, therefore the Board cannot respond to non-agenda issues raised during Public Comment other than to provide general information.



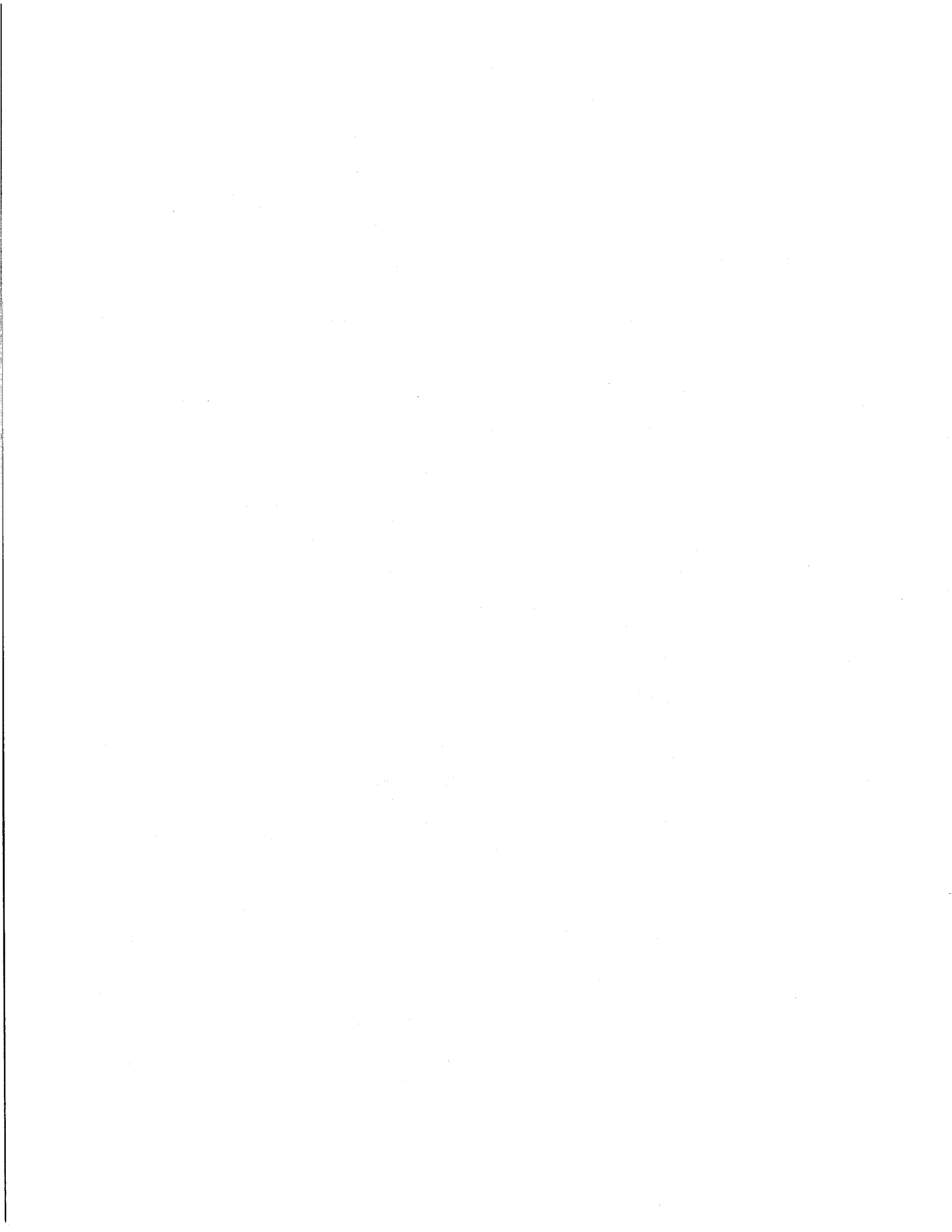
Wednesday February 22, 2012

1. CONSENT CALENDAR		The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.
A. MINUTES:		The Board will review and approve minutes of previous meetings.
<ol style="list-style-type: none"> 1.) March 29, 2011, Special Meeting 2.) April 20, 2011 Special Meeting 3.) May 9, 2011, Special Meeting 4.) May 16, 2011, Regular Meeting 5.) May 23, 2011, Special Meeting 6.) November 9, 2011, Special Meeting 7.) November 21, 2011 Regular meeting 8.) January 9, 2012, Regular Meeting 		The Board will review and approve the expenditures since the meeting of January 9, 2012.
B. EXPENDITURES:		The Board will review and approve the credit card activity since the meeting of January 9, 2012.
<ol style="list-style-type: none"> 1.) Operations Expenditures 2.) Capital Improvement Expenditures 3.) SRF Expenditures 4.) Security Deposits 		The Board will review and approve the credit card activity since the meeting of January 9, 2012.
C. CREDIT CARD ACTIVITY:		
2. ITEMS FOR DISCUSSION AND ACTION		
1. Customer request for waiver of late fee and tag fee	Requested by GM Mary Henrici	Valeriy Khomich is requesting waiver of \$5.00 late fee and \$40.00 tag fees. Sarah Sanidad and Timofey Rizhuk are requesting waiver of \$40.00 tag fee. Also, Alicia Dorey is requesting credit of \$366.14 for past due amount from tenant. The Board will discuss waiving fees.
2. Resolution 2012-04 Updating Public Employee Retirement System Contract	Requested by GM Mary Henrici	The Board will be asked to approve a Public Employee Retirement System contract amendment to reflect past withholdings.
3. Resolution 2012-05 Updating Public Employee Retirement System Contract	Requested by GM Mary Henrici	The Board will be asked to approve a Public Employee Retirement System contract amendment to reflect current withholdings.
4. 2009-2010 Audit	Requested by GM Mary Henrici	the 2009-2010 audit will be presented to the Board for approval
5. Ordinance 2011-01 Adopting increased rates for water service	Requested by Director Vivien Johnson	Review/Revise/Rescind/Amend prior ordinance. To designate the use of funds.
6. Expenditure Policy	Requested by Director Vivien Johnson	The Board will discuss adopting a policy to ensure making disbursements on a timely basis to avoid late fees.
7. General Counsel - Public Employee Retirement System	Requested by Director Vivien Johnson	Review/Clarify and consider Public Employee Retirement System eligibility.
8. General Manager Discretionary Funds	Requested by Director Vivien Johnson	The Board will discuss General Manager discretionary funds and whether it should be reviewed by the policy committee in order to adopt a new policy.
9. California Department of Public Health Billing	Requested by Director Vivien Johnson	Direction to General Manager concerning California Department of Public Health Billing.
10. Hiring Freeze	Requested by Director Vivien Johnson	The Board will discuss and consider implementing a hiring freeze.



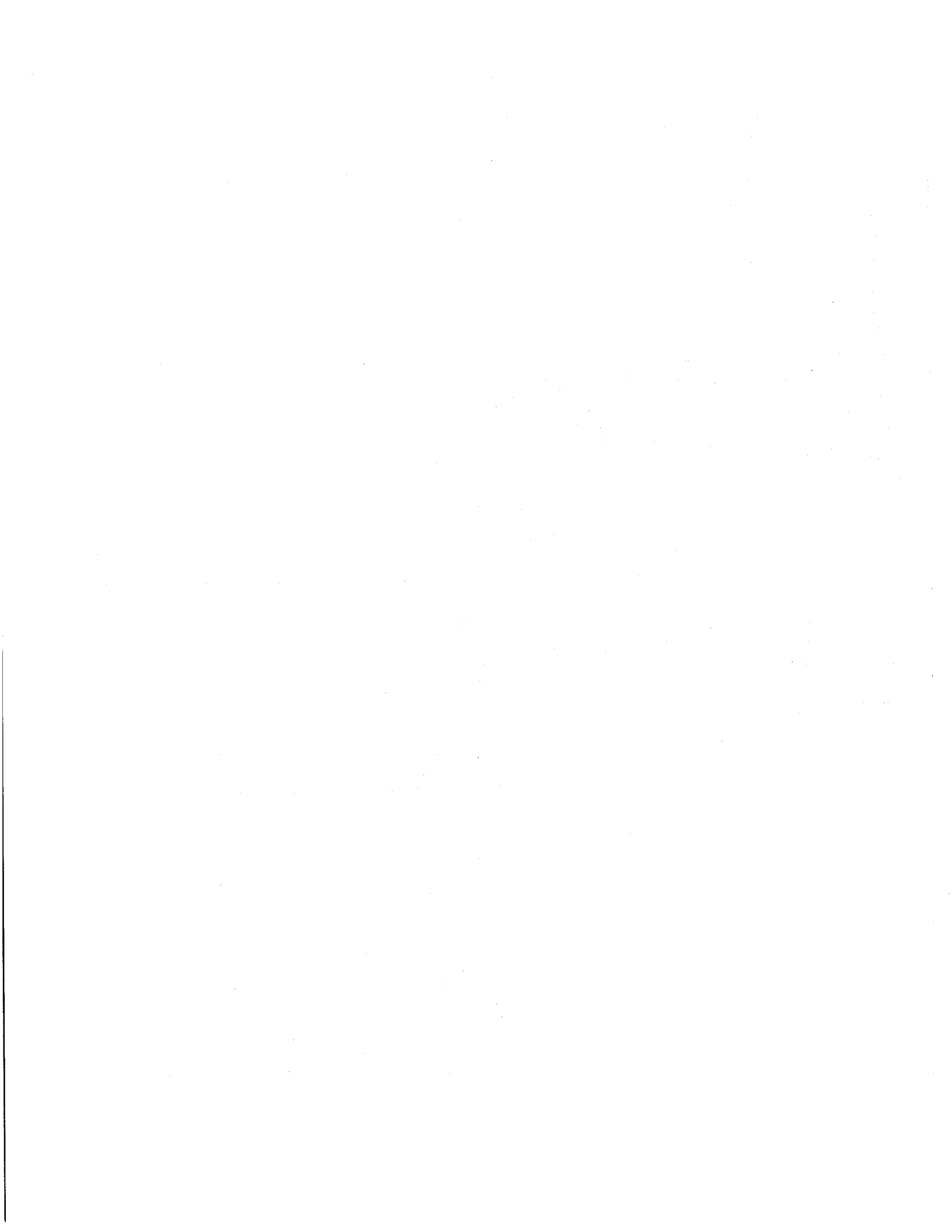
Wednesday February 22, 2012

11. Well #15 Pump Station Contract	Requested by Domenichelli & Assoc.	The Board will receive an update on Well 15 bids, notice of award and notice to proceed. The Board will discuss and possibly approve the contract for the Well #15 Pump Station.
12. Generator Type Determination	Requested by Domenichelli & Assoc.	The Board will discuss and approve the type of generator (natural gas or diesel) to be used at well #15.
13. California Department of Public Health Biannual Inspection	Requested by GM, Mary Henrici	The Board will discuss and approve the inspection report.
14. Resolution No. 2012-02 Calling the 2012 General District Election	Requested by GM, Mary Henrici	The Board will discuss and approve Resolution 2012-02 calling the 2012 General District Election.
15. Joint Powers Insurance Authority Property and Liability Insurance	Requested by GM, Mary Henrici	The Board will receive an update of the meeting with JPIA Insurance and the requests made of the District Board of Directors.
16. Best Best & Krieger	Requested by Director Trautman	The Board of Directors will discuss past due invoices from Best Best & Krieger from 2010.
17. Conflict of Interest Code Section 2.30.010	Requested by GM, Mary Henrici	The Board will discuss and approve the Districts Conflict of Interest Code, as it is required to review and amend every two years. The Board will adopt Resolution 2012-03.
18. Revise Policy 2.05.200 - General Counsel Duties Resolution 2012-06	Requested by Director Trautman	The Board will discuss revising policy 2.05.200 giving the District more control over issues handled by General Counsel. The Board will be asked to adopt a resolution so a change may be added to the District policy manual.
19. Controlling and Tracking General Counsel Bills and Hours	Requested by Director Frank Caron	The Board will discuss and consider options for tracking cost of General Counsel.
20. SEMS Technologies Water Utility Software Program	Requested by GM, Mary Henrici	The Board will discuss budgeting, in the 2012-13 budget, for the purchase of software used for tracking backflow testing, lab test scheduling and equipment maintenance, which will reduce man hours and save costs.
21. PhoneTree Software	Requested by GM, Mary Henrici	The Board will discuss budgeting in the 2012-13 budget, for the purchase of software used for notifying customers of any interruptions of service.
22. District Vehicle Policy	Requested by Director Johnson	The Board will discuss use of District vehicles and adopting a policy.
23. Meter Reads - Twice per year - March & September	Requested by Director Johnson	The Board will discuss reading meters twice a year instead of the current practice of bi-monthly readings.
24. Discontinue " Water Disconnection"	Requested by Director Johnson	The Board will discuss discontinuing disconnection of water service for non payment of bills.
25. "Outsource" Billing Statements	Requested by Director Johnson	The Board will discuss and possibly approve outsourcing the District utility bills to ratepayers..
26. a - Regular Meeting of the RLECWD Board b - Second monthly meeting of the RLECWD Board	Requested by Director Johnson	The Board will discuss moving the regular meeting day and having a second meeting each month.



Wednesday February 22, 2012

3. FINANCIAL REPORTS	DISTRICT FINANCIAL REPORTS
<ul style="list-style-type: none"> a.) Bank Balances - January 2012 b.) Balance Sheet c.) Profit / Loss and Budget Performance d.) SRF Accumulative Costs 	Written reports attached
4. INFORMATION ITEMS	DISTRICT ACTIVITY REPORTS
<ul style="list-style-type: none"> a.) Ethics Training / Brown Act Training b.) General Manager's Report c.) Water Production Report d.) Report of District Operations e.) Monthly Source Production f.) Monthly Pressure Readings g.) District Engineers Report 	Written reports attached
5. BOARD REPORTS	
<ul style="list-style-type: none"> a.) Regional Water Authority - Trautman, Hood, Henrici b.) Sacramento Groundwater Authority - Johnson c.) LAFCo - F. Caron d.) Other Reports 	Per AB 1234 the Board of Directors will report on their meeting activities.
6. DIRECTORS' AND GENERAL MANAGER COMMENTS	
	Directors' and the General Manager may comment on matters not on the agenda, but no action other than placing the matter on a future agenda for discussion or a report from staff is allowed by the Brown Act.
7. CORRESPONDENCE TO THE BOARD	
	Any letters and correspondence to the Board from the community and other entities.
8. PUBLIC COMMENT FOR CLOSED SESSION	
	Public comment for closed session items only: The public is invited to comment on any item listed on the closed session agenda. Each speaker is limited to 2 minutes
9. CLOSED SESSION - Beginning at 9:30 PM	The Board of Directors will convene to Closed Session to discuss the following items.
CLOSED SESSION	<ul style="list-style-type: none"> 1.) CONFERENCE WITH GENERAL COUNSEL - PENDING LITIGATION - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a) (Teamsters Local 150 v. RLECWD, PERB case # SA-CE-736M). 2.) CONFERENCE WITH GENERAL COUNSEL - PENDING LITIGATION - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Myers v. RLECWD (Unemployment Insurance Appeals Board case # AO-277695). 3.) CONFERENCE WITH GENERAL COUNSEL - PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE - The Board of Directors will meet in closed session pursuant to Government Code § 54957(b)(1).



Wednesday February 22, 2012

CLOSED SESSION		<p>4.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(b)(1) - Pending litigation matter for Liz Myers, United States Federal District Court Case # 2:11-cv-02671-MCE-EFB.</p> <p>5.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2011-00103481.</p> <p>6.) CONFERENCE WITH GENERAL COUNSEL- The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(b)(3)(B). The Board of Directors will discuss past due invoices from Best Best & Krieger from 2010.</p>
Reconvene Open Session		The President will reconvene the open session of the meeting.
Announcements from Closed Session		The President will report on any actions taken in closed session. Including any motion or resolution required as a result of closed session discussions.
ADJOURNMENT		The President will adjourn the meeting.



Manager Report

For January 5, 2012 through February 6, 2012

As my previous vacation was cancelled I will be taking vacation March 29, 2012 through April 6, 2012.

On January 6, 2012 I met with Sara Rogers and Jim Carson to review final plan and specification changes.

January 10, 2012 the IT person was here to install DVD reading program on Renita's computer and fix scanner issues. Later that day I met with the new Neopost representative. They are the company that we lease our mailing equipment from until 2014 per contract. Scheduled technician to witness the next bill run do to past problems.

On January 11, 2012 I had a phone conference with Kurtis Warner of SEMS software. They supply industry specific software to monitor items such as backflow testing, laboratory monitoring, annual report data and inventory. Included in this meeting packet is information on their product and a proposal to include it in the next year's budget.

On January 12, 2012 I went to the RWA meeting. Their Board approved a one time salary bonus to the Executive Director. There was a comprehensive report the Delta stewardship Counsel on the Delta plan. The Board elected new members to the Executive Committee. They are Pamela Tobin Chair, Pauline Roccucci, Vice-Chair, Bob Churchill, Bill George, Ron Greenwood, Rob Roscoe, Debra Sedwick, Dan Sherry and Andy Soule'. And the executive Directors report was discussed.

January 18, 2012 I went to the community meeting with Supervisor Mac Glashon. Ms. Mac Glashon noted that there is a new Board of Supervisors Chairman, Don Natoli. She discussed some construction work that will take place on the intersection of Elverta Rd. and Hwy 99. There was also presentation by the County Parks Department noting the problems they are having with the homeless and short staffing. I then went to an ACWA training on 2012 employment law update. Later that evening I went to the monthly Lafco meeting. The Lafco commission once again asked about the progress of the District with the items of their concern. It was noted that a MOU has been signed with the union and the construction progress was updated.

January 19, 2012 I had a web conference with Pat Goyet, Kurtis Warner and myself showing the abilities of the SEMS program previously mentioned on a sample water system. Later that day the staff had their IT training as required by the Board's IT policy. The training was provided by the District's IT provider Sentinel Technologies.

January 23, 2012 President Trautman and I created and reviewed the audit response.

January 24, 2012 I met with Sara Rogers, Wayne and Austin Vinciguerra to close out their project and get final paperwork signed. Their final payment request will be sent in with our next request to the State in a couple of weeks.

January 26, 2012 we had our mandatory pre-bid meeting with potential contractors for the well 15 pump station project. The question of mandating a 90 day turnaround time for payment when construction law requires 30 days for payment was brought up. This question was referred to legal

counsel. Later that day I met with Roxanne Cargill, Salvadore Turribiates of CDPH along with a representative from the Department of Energy regarding a fire connection and bathroom they wish to install in the District. It was determined that a letter would be written by the State after there was a discussion with the Regional Engineer Mr. Heinrich giving a determination on the project.

January 31, 2012 President Trautman and I went to the JPIA Executive Board meeting. The Board requested I provide information to their Board and required the RLECWD Board of Directors receive governance training. This item is more detailed elsewhere in this packet. Later that evening I went to the Special District Advisory Committee of Lafco meeting. I updated that group on the progress the District has made with the concerns of the many agencies who have been monitoring our agency. A meeting with Lafco is being scheduled to determine the status of our MSR.

The State has determined that a fire connection can be installed at the Department of Energy Building on Sorrento Rd. and the service may be installed but not connected until the building moratorium is lifted.

February 1, 2012 I met with the Department of Energy and their contractor and informed them of plan corrections that need to be made on the Sorrento Rd. building. I also presented them with a bill that will need to be paid before construction will begin. The Department of Energy has determined that they will not put in a separate service for the bathroom and tie into their existing line. This money would be put into our capital improvement account. Twin Rivers School District has also been billed for their hydrant facility charge. I met with Dick Damon of ACWA and presented him with the paperwork the executive committee had requested the previous day. He will give it to Andy Sells who will determine if it is sufficient for their Board's needs.

February 2, 2012 I went to a Cal Osha 2012 update training. This was done to make sure we stay in compliance with OSHA. As usual they are proposing several changes in the law including high visibility apparel changes, fall protection changes when climbing towers and they have also changed the way they determine serious violations the fines have also increased to \$7,000 general fine and \$25,000 serious fine.

The motor at well 12 stopped working and had to be replaced. Cost estimate for pump repairs was \$13,610.92 plus \$250.00 to see if it could be rebuilt. Pump repairs have been completed. It will be on line February 6, 2012 if the bacteria test is negative.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
AUDITED FINANCIAL STATEMENTS

June 30, 2010

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

June 30, 2010

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Richardson & Company

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Rio Linda/Elverta Community Water District (the District) as of June 30, 2010 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of and for the year ended June 30, 2009 were audited by other auditors whose report dated March 16, 2010, expressed an unqualified opinion on those statements.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District has not adopted Governmental Accounting Standards Board Statement (GASBS) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and accordingly has not recorded a liability for post-employment benefits. Accounting principles generally accepted in the United States of America require the liability to be recorded as of June 30, 2010, which would decrease net assets and increase expenses of the District. The amount by which this departure would affect the net assets and expenses of the District is not readily determinable. Disclosures required by generally accepted accounting principles related to the post-employment benefits and related liability has also been omitted.

In addition, the District did not perform a physical inventory at June 30, 2010 and, accordingly, has not adjusted the inventory balance since June 30, 2009. We were unable to satisfy ourselves about the inventory quantities by means of other audit procedures.

The District has disclosed that there have been allegations of fraud and that investigations by outside organizations are being performed. The outcome of these investigations is not known.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note J to the financial statements, the District has suffered recurring losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note J. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Because of the significance of the matters described in the preceding paragraphs, we are unable to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

To the Board of Directors
Rio Linda/Elverta Community Water District

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

Richardson & Company

December 14, 2011

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

BALANCE SHEETS

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 102,720	\$ 90,235
Accounts receivable	287,572	261,671
Accrued interest receivable	309	979
Inventory	45,894	45,894
Prepaid expenses	27,708	21,800
	<u>464,203</u>	<u>420,579</u>
RESTRICTED ASSETS		
Restricted cash and investments	251,264	286,435
CAPITAL ASSETS, NET	8,223,760	8,082,351
OTHER NONCURRENT ASSETS		
Deferred bond issuance costs	181,641	189,725
	<u>181,641</u>	<u>189,725</u>
	TOTAL ASSETS	TOTAL ASSETS
	<u>\$ 9,120,868</u>	<u>\$ 8,979,090</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 194,130	\$ 118,673
Accrued salaries and benefits	36,353	263
Accrued interest payable	25,169	
Deposits payable	30,489	33,879
Deferred revenue	22,032	22,032
Current portion of compensated absences	20,182	42,794
Current portion of bonds payable	90,000	85,000
	<u>418,355</u>	<u>302,641</u>
LONG-TERM LIABILITIES		
Bonds payable	2,754,334	2,805,568
Compensated absences		4,793
	<u>2,754,334</u>	<u>2,810,361</u>
	TOTAL LIABILITIES	TOTAL LIABILITIES
	3,172,689	3,113,002
NET ASSETS		
Invested in capital assets, net of related debt	5,357,179	4,977,627
Restricted for debt service	242,485	247,000
Restricted for capital improvements	8,779	34,000
Unrestricted	339,736	607,461
	<u>5,948,179</u>	<u>5,866,088</u>
	TOTAL NET ASSETS	TOTAL NET ASSETS
	<u>\$ 9,120,868</u>	<u>\$ 8,979,090</u>
	TOTAL LIABILITIES AND NET ASSETS	TOTAL LIABILITIES AND NET ASSETS
	<u>\$ 9,120,868</u>	<u>\$ 8,979,090</u>

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Water sales	\$ 1,420,153	\$ 1,484,015
Account service charges	123,907	113,506
Other water service fees	2,180	1,785
Other	10,097	818
TOTAL OPERATING REVENUES	1,556,337	1,600,124
OPERATING EXPENSES		
Personnel services	688,774	971,438
Professional services	174,163	134,057
Field operations:		
Transmission and distribution	100,181	146,128
Pumping	176,198	170,879
Transportation	17,695	14,513
Treatment	15,611	11,254
Other	84,655	49,827
Conservation	3,505	5,161
Administration	184,078	197,650
Depreciation and amortization	307,009	339,427
TOTAL OPERATING EXPENSES	1,751,869	2,040,334
NET (LOSS) INCOME FROM OPERATIONS	(195,532)	(440,210)
NON-OPERATING (EXPENSES) REVENUES		
Surcharge	364,204	58,800
Interest income	1,469	8,528
Miscellaneous income	8,032	2,374
Property tax	63,348	80,447
Rental income	58,859	51,715
Lawsuit settlement		123,158
Interest expense	(216,223)	(193,604)
Loss on abandonment of well #14		(802,674)
Other non-operating expenses	(2,066)	(8,503)
TOTAL NON-OPERATING REVENUES (EXPENSES)	277,623	(679,759)
CHANGE IN NET ASSETS	82,091	(1,119,969)
Net assets, beginning of year, as previously reported	5,866,088	6,986,057
NET ASSETS AT END OF YEAR	\$ 5,948,179	\$ 5,866,088

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,557,225	\$ 1,598,134
Cash paid to suppliers for goods and services	(686,537)	(983,426)
Cash paid to employees for services	(680,089)	(696,872)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>190,599</u>	<u>(82,164)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous income	8,032	2,374
Property taxes received	63,348	80,447
Rental income received	58,859	51,715
Non-operating expense paid	(2,066)	(8,503)
Settlements paid		123,158
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>128,173</u>	<u>249,191</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Surcharge received	334,025	44,325
Payments on long-term debt	(85,000)	(85,000)
Purchase of property	(440,334)	(344,614)
Interest paid on long-term debt	(152,288)	(154,838)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(343,597)</u>	<u>(540,127)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	2,139	12,886
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,139</u>	<u>12,886</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,686)	(360,214)
Cash and cash equivalents at beginning of year	<u>376,670</u>	<u>736,884</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 353,984</u>	<u>\$ 376,670</u>
Cash and cash equivalents consist of the following:		
Unrestricted	\$ 102,720	\$ 90,235
Restricted	<u>251,264</u>	<u>286,435</u>
	<u>\$ 353,984</u>	<u>\$ 376,670</u>

(Continued)

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income from operations	\$ (195,532)	\$ (440,210)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	307,009	339,427
Changes in assets and liabilities:		
Accounts receivable	4,278	(2,934)
Inventory		(4,550)
Prepaid expenses and other assets	(5,908)	(3,225)
Accounts payable	75,457	30,810
Accrued salaries and benefits	36,090	
Deposits payable	(3,390)	(3,221)
Compensated absences	(27,405)	(39)
Unearned revenue		1,778
	<u>190,599</u>	<u>(82,164)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	\$
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Write-down of well #14 due to impairment		\$ 802,674

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE A – 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. As allowed by the GASB, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. 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 4,610 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 assets for the enterprise fund represent the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net assets are 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.

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 expense 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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The District does not have a Board approved Investment Policy.

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 estimated fair 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. Depreciation expense in the amount of \$298,925 and \$331,343 was recorded for the years ended June 30, 2010 and 2009, respectively, and is included with depreciation and amortization expense.

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

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

Bond Premiums and Deferred Bond Issuance Costs: Bond premiums, as well as issuance costs, are deferred and amortized over the lives of the bonds. Long-term liabilities are reported net of the applicable bond premiums. Bond issuance costs are reported as a component of Other Noncurrent Assets.

Deferred Revenues: Deferred revenue represents funds received for future service installation and is recognized as revenue when installations are performed.

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 in California is levied in accordance with Article XIII A of State Constitution at 1% of countywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local governmental units based upon complex formulas. The County of Sacramento is responsible for collection of property tax, and the District recognizes property taxes when received from or collected by the County. Amounts levied but not collected at June 30 (delinquent property taxes) have not been reported since these amounts could not be readily determined.

Compensated Absences: The District has a policy whereby employees can accrue up to a maximum of 240 hours of vacation leave. All accrued vacation leave will be paid to the employee on termination of employment. Accumulated unpaid vacation leave is accrued when earned. The District does not accrue sick leave.

Reclassifications: Certain reclassifications have been made to 2009 amounts to conform to the 2010 presentation. Such reclassifications did not affect the change in net assets.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE B – CASH AND INVESTMENTS

Cash and investments as June 30, 2010 and 2009 are classified in the accompanying financial statements as follows:

	2010	2009
Cash and cash equivalents	\$ 102,720	\$ 90,235
Restricted cash and investments	251,264	286,435
Total cash and investments	\$ 353,984	\$ 376,670

Cash and investments as of June 30, 2010 and 2009 consisted of the following:

	2010	2009
Cash on hand	\$ 1,013	\$ 507
Deposits with financial institutions	95,107	68,594
Total cash	96,120	69,101
Investments in Local Agency Investment Fund (LAIF)	15,379	55,080
Held by bond trustee:		
Money market mutual fund	34,844	252,489
LAIF	207,641	
Total investments	257,864	307,569
Total cash and investments	\$ 353,984	\$ 376,670

Investment policy: California statutes authorize districts to invest idle, surplus or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. 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, 2010, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
State of California obligations	None	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposits	None	30%	None
Repurchase Agreements	92 days	None	None
Medium Term Corporate Notes	None	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
LAIF	N/A	None	None

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE B – CASH AND INVESTMENTS (Continued)

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. All of the District's investments mature within 12 months.

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
LAIF	N/A	\$ 15,379		\$ 15,379
Held by bond trustee:				
Money market mutual fund	N/A	34,844	\$ 34,844	
LAIF	N/A	207,641		207,641
		<u>\$ 257,864</u>	<u>\$ 34,844</u>	<u>\$ 223,020</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. 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.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE B – CASH AND INVESTMENTS (Continued)

At June 30, 2010, the carrying amount of the District's deposits were \$95,107 and the balances in financial institutions were \$163,912. Of the balance in financial institutions, the entire amount of \$163,912 was covered by federal depository insurance. As of June 30, 2010, 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	\$ 34,844
LAIF	207,641

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 total fair value amount invested by all public agencies in LAIF is \$69,555,776,591 managed by the State Treasurer. Of that amount, 5.42% is invested in structured notes and asset-back securities. No amounts were invested in derivative financial products. 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.

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2010 and 2009 are as follows:

	Balance July 1, 2009	Additions	Disposals	Adjustments	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 410,723				\$ 410,723
Construction in progress	200,975	\$ 430,338			631,313
Total capital assets, not being depreciated	611,698	430,338			1,042,036
Capital assets being depreciated:					
Transmission and distribution	11,273,400				11,273,400
General plant assets	782,017	9,996			792,013
Intangible assets	363,185				363,185
Total capital assets, being depreciated	12,418,602	9,996			12,428,598
Less accumulated depreciation for:					
Transmission and distribution	(4,117,026)	(270,171)			(4,387,197)
General plant assets	(681,894)	(11,878)			(693,772)
Intangible assets	(149,029)	(16,876)			(165,905)
Total accumulated depreciation	(4,947,949)	(298,925)			(5,246,874)
Total capital assets, being depreciated, net	7,470,653	(288,929)			7,181,724
Capital assets, net	\$ 8,082,351	\$ 141,409	\$ -	\$ -	\$ 8,223,760

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE C – CAPITAL ASSETS (Continued)

	Balance July 1, 2008	Additions	Disposals	Adjustments	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 112,183			\$ 298,540	\$ 410,723
Construction in progress	1,011,603	\$ 290,586	\$ (1,101,214)		200,975
Total capital assets, not being depreciated	<u>1,123,786</u>	<u>290,586</u>	<u>(1,101,214)</u>	<u>298,540</u>	<u>611,698</u>
Capital assets being depreciated:					
Transmission and distribution	11,273,400				11,273,400
General plan assets	707,509	74,508			782,017
Intangible assets	363,185				363,185
Total capital assets, being depreciated	<u>12,344,094</u>	<u>74,508</u>			<u>12,418,602</u>
Less accumulated depreciation for:					
Transmission and distribution	(3,842,129)	(274,897)			(4,117,026)
General plan assets	(642,324)	(39,570)			(681,894)
Intangible assets	(132,153)	(16,876)			(149,029)
Total accumulated depreciation	<u>(4,616,606)</u>	<u>(331,343)</u>			<u>(4,947,949)</u>
Total capital assets, being depreciated, net	<u>7,727,488</u>	<u>(256,835)</u>			<u>7,470,653</u>
Capital assets, net	<u>\$ 8,851,274</u>	<u>\$ 33,751</u>	<u>\$ (1,101,214)</u>	<u>\$ 298,540</u>	<u>\$ 8,082,351</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

2003 Water Revenue Refunding Bonds: On January 22, 2003, the District issued \$3,970,000 of Water Revenue Refunding Bonds with interest ranging from 3.00% to 4.75%. These 2003 Bonds were issued to finance certain capital improvements to the District's water system. Annual principal payments, ranging from \$90,000 to \$235,000 are due on November 1 through November 1, 2032 and semi-annual interest payments, ranging from \$5,581 to \$75,506 are due on May 1 and November 1 through November 1, 2032.

The activity of the District's long-term liabilities during the years ended June 30, 2010 and 2009 was as follows:

	Balance July 1, 2009	Additions	(Reductions)	Balance June 30, 2010	Due Within One Year
2003 Water Revenue Refunding Bonds	\$ 3,485,000		\$ (85,000)	\$ 3,400,000	\$ 90,000
Less: Deferred amount on refunding	(594,432)		38,766	(555,666)	
	<u>2,890,568</u>		<u>(46,234)</u>	<u>2,844,334</u>	<u>90,000</u>
Compensated absences	47,587		(27,405)	20,182	20,182
	<u>\$ 2,938,155</u>	<u>\$ -</u>	<u>\$ (73,639)</u>	<u>\$ 2,864,516</u>	<u>\$ 110,182</u>
	Balance July 1, 2008	Additions	(Reductions)	Balance June 30, 2009	Due Within One Year
2003 Water Revenue Bonds	\$ 3,570,000		\$ (85,000)	\$ 3,485,000	\$ 85,000
Less: Deferred amount on refunding	(633,198)		38,766	(594,432)	
	<u>2,936,802</u>		<u>(46,234)</u>	<u>2,890,568</u>	<u>85,000</u>
Compensated absences	47,626		(39)	47,587	42,794
	<u>\$ 2,984,428</u>	<u>\$ -</u>	<u>\$ (46,273)</u>	<u>\$ 2,938,155</u>	<u>\$ 127,794</u>

The advance refunding of the 1999 Certificates of Participation with the 2003 Water Revenue Refunding Bonds resulted in differences between the reacquisition price and the net carrying amount of the outstanding debt of \$854,898 at June 30, 2010 and 2009, net of accumulated amortization of \$299,232 and \$260,466, respectively. This deferred amount on refunding, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations over the remaining life of the 2003 Water Revenue Bonds.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE D – LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2010 are as follows:

For the Year Ended June 30:	2003 Water Revenue Refunding Bonds		
	Principal	Interest	Total
2011	\$ 90,000	\$ 149,663	\$ 239,663
2012	95,000	146,769	241,769
2013	95,000	143,562	238,562
2014	100,000	140,087	240,087
2015	105,000	136,175	241,175
2016-2020	580,000	612,978	1,192,978
2021-2025	730,000	469,947	1,199,947
2026-2030	930,000	275,025	1,205,025
2031-2033	675,000	49,044	724,044
	<u>\$ 3,400,000</u>	<u>\$ 2,123,250</u>	<u>\$ 5,523,250</u>

Pledged Revenue: The District pledged future water system revenues, net of specified expenses, to repay the 2003 Water Revenue Refunding Bonds in the original amount of \$3,970,000. Proceeds of the 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, 2032. 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 \$5,523,250 and \$5,705,937 at June 30, 2010 and 2009, respectively.

Total principal and interest paid on all debt payable from net revenues was \$237,288 and \$239,838 and the total water system net revenues were \$716,442 and \$163,378 for the years ended June 30, 2010 and 2009, respectively. At June 30, 2010 and 2009, the District's net revenues were 302% and 68% of debt service payments, respectively.

NOTE E – 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, 2010 and 2009.

NOTE F – NET ASSETS

Restrictions: Restricted net assets consist of constraints placed on net asset 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 assets consisted of the following at June 30:

	2010	2009
Debt service reserve on 2003 Water Revenue Refunding Bonds	\$ 242,485	\$ 247,000
Restricted for capital improvement projects	8,779	34,000
Total restricted net assets	<u>\$ 251,264</u>	<u>\$ 281,000</u>

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE F – NET ASSETS (Continued)

The restrictions for debt service represent debt service and other reserves required by the related debt covenants. The restriction for capital improvement projects 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.

NOTE G – DEFINED BENEFIT PENSION PLAN

Plan description: The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. The District participates in the miscellaneous 2% at 55 risk pool. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS 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 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: Active plan members are required to contribute 7% of their annual covered salary. The District made contributions required of District employees on their behalf and for their account up through October 2009. The contribution made by the District on behalf of the employees was \$6,449 for the year ended June 30, 2010 and \$20,482 for the year ended June 30, 2009. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for 2009/10 and 2008/09 was 13.097% and 14.278%, 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, 2010, 2009 and 2008 were \$39,513, \$88,291, and \$115,606, respectively, which were equal to the required contributions each year.

NOTE H – COMMITMENTS AND CONTINGENCIES

The District is party to various claims, legal actions, and complaints that arise in the normal course of business. Management and the District's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the District.

Commitment amounts on contracts in effect at June 30, 2010 totaled \$107,000.

NOTE I – 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 officials liability, property damage and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE I – 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	Commercial Insurance	Deductible
General and Auto Liability (Includes Public Officials Liability)	\$ 1,000,000	\$ 61,000,000	None
Property Damage	50,000	100,000,000	\$ 500 - 25,000
Fidelity	100,000		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 J – GOING CONCERN

The financial statements for the years in question have been prepared assuming that the District will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The District has suffered reoccurring operating losses and diminishing working capital since 2007 through the period ended June 30, 2010. As a result of these factors, there is doubt about the District's ability to continue as a going concern. The District has reduced personnel expenses, plans to increase revenue through an increase in the capital surcharge and in water rates, and plans to obtain a State safe drinking water loan to finance additional wells. The District is addressing reorganization, receivership and other options, but the outcome cannot be assured at this time.

NOTE K – SUBSEQUENT EVENTS

On November 19, 2007 the District received the California Department of Public Health Compliance Order 01-09-07-CO-004 with a full compliant date of December 31, 2008. The Compliance Order documents finding or facts about the water source capacity and low-pressure problems observed in the District, and includes nine Directives to accurately characterize the problems, evaluate solution options, and implement interim measures towards the complete resolution of the water source capacity and low-pressure problems. On October 13, 2008, the District requested and received an extension to March 31, 2009 from the Department of Public Health to become fully compliant with Compliance Order No. 01-09-07-CO-004. On November 23, 2010, the District's application was accepted for a \$7,499,045 State safe drinking water loan to finance the drilling of new wells to meet the requirements stipulated in the Department of Public Health Compliance Orders. No amounts were received as of the date of this report. The District was required to adopt an increase in water rates of \$5.46 per month per connection effective within two years after the date of execution of the funding agreement to repay the loan. The loan will be required to be repaid over 20 years, starting after completion of the project. The interest rate on the loan will be 2.5707 percent, with semi-annual payments of \$240,959 required. Funding of the loan is contingent upon timely compliance with the Notice of Acceptance of Application Terms and Conditions.

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

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

We have audited the financial statements of the Rio Linda/Elverta Community Water District (the District) as of and for the year ended June 30, 2010 and have issued our report thereon dated December 14, 2011. We did not express an opinion on the District because of the departures from generally accepted accounting principles and uncertainties described in the audit opinion. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

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

To the Board of Directors
Rio Linda/Elverta Community Water District

We noted certain other matters that we reported to management of the District in a separate letter dated December 14, 2011.

This report is intended solely for the information and use of the Board of Directors, management and the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

December 14, 2011

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF FINDINGS

June 30, 2010

Finding 2010-1: Other Post-Employment Benefits Accrual

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

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

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

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF FINDINGS (Continued)

June 30, 2010

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

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

Finding 2010-3: Internal Controls and Separation of Duties

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

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF FINDINGS (Continued)

June 30, 2010

module, the bookkeeper, who does not have access to the billing system, should review the documents to ensure agreement of the deposit amount to the postings to customer accounts in the billing system and then compare the deposit slip to the bank statement.

- e. We noted that entries made to the payroll system, such as changes to the pay rates, were not being reviewed. We recommend that any payroll system changes be reviewed and approved by the General Manager. In addition, the General Manager should be reviewing the payroll registers and/or check stubs and documenting this review with an initial.
- f. Regular staff meetings should be held to identify and resolve issues and provide sound guidance.

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

Finding 2010-4: Financial Reporting

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

Finding 2010-5: Organization of Accounting Records

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

Finding 2010-6: Capital Asset Accounting

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

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

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF FINDINGS (Continued)

June 30, 2010

Finding 2010-7: Surcharge Cash Account

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

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

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2010

Finding 2009 – 1: Organization of the District

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

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

Finding 2009-2: Develop an Organization Chart

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

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

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

Status: An organization chart was not in place as of June 30, 2010. However, we noted management has recently developed an organization chart for Board approval.

Finding 2008-2: Computer Controls

Condition: The 2008 audit was delayed from the initially scheduled field work dates in October 2008 until December 2008 as a result of a computer hard drive crash on the Administrative Supervisors computer. Upon further investigation, it was brought to the prior auditor's attention that all of the financial records of the District are maintained on this same computer. The District's management was able to restore some of this data however; the potential loss could have been devastating to the District. In reviewing the District's computer network, the prior auditor learned that the District does not have a sufficient server capacity or routine system backups.

The prior auditor recommended that the District consider adopting one or more of the following reasonably priced alternative backup methods, which can address these shortcomings as well as address additional data security issues:

- Magnetic Tape Drive – the tape drive can hold very large amounts of data; however, it is relatively slow.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2010

- Online Storage – the District could contract with an outside vendor for online storage service, which involves sending backup data over the Internet to the host storage site.

Some of these backup-recovery service providers (BRSP) offer real-time copying of data as well as retrieval and restoration service for lost data. In addition to backing up data, the District should also back up and store operating systems, applications and the emergency startup CDs necessary for booting the computer. Also, it is important to keep these startup CDs updated for changes made to the computer hardware.

It was brought to their attention by a former general manager that as a result of a prior general manager's transition process, some sensitive data is no longer accessible within the District's computers and servers. A properly set up network will prevent the storage of documents in local computers by requiring all data to be saved on a file server. If the file server is backed up routinely, hard drive failure or removal would not cause the loss of vital data.

Status: The accounting data is now being backed up nightly on an external drive and all employee electronic documents are backed up to a server that is maintained by a computer support company.

Finding 2008-3: Budget

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

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

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

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

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

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

Finding 2007-2: Accounting Policies

Condition: The prior auditor's review of internal controls brought to their attention the fact that the District has no current formal accounting policies and procedures. Having an up-to-date accounting policies and procedures manual will provide for efficient training of new staff, effective and timely financial reporting and consistency

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

June 30, 2010

within the Administrative department. We recommend the District prepare an accounting policies manual that should address management's risk factors in relation to financial reporting.

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

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December 14, 2011

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

We have audited the financial statements of the Rio Linda/Elverta Community Water District (the District) for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated November 4, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant. However, the objective of our audit is not to provide an opinion on compliance with such.

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 A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. However, the following items related to the application of accounting principles were noted for the year ended June 30, 2010. Because of the pervasiveness of these items, we disclaimed our opinion on the financial statements of the District.

- The District was required to implement Government Accounting Standards Board Statement No. 45, which requires that a liability be recorded for healthcare benefits provided to retirees. Because the calculation of the liability is performed by an actuary and the District did not have an actuarial valuation performed, the District has not accrued this liability. The liability could be significant, but the impact could not be determined.

- The District did not perform a physical inventory observation of its supplies inventory, so the amount of inventory reflected as of June 30, 2010 is the same as for June 30, 2009. Because the District does not have a perpetual inventory system, the inventory balance could not be determined by other means.
- The District has disclosed that there have been allegations of fraud and that investigations by outside organizations are being performed. Because we do not know the outcome of those investigations and the potential impact on the financial statements, this uncertainty is described in the audit opinion.
- Note L of the financial statements refers to the doubt about the District's ability to continue as a going concern, primarily related to the operating losses the District has been experiencing.

We noted no transaction entered into by the District during the year for which there is a lack of authoritative guidance or consensus. We noted significant transactions have been recognized in the financial statements in a different period than when the transaction occurred. However, audit adjustments were made to ensure the transactions were recorded 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 estimates affecting the financial statements were: depreciable lives and method used to depreciate capital assets and the collectability of receivables. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

The material weaknesses in internal control encountered in completing our audit as documented in the internal control report and the large number of adjustments during the audit process resulted in significant delays and additional time needed to complete the 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements except three minor amounts. The attached schedule summarizes these uncorrected misstatements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. However, our internal control recommendations include evaluating the causes of these differences and making adjustments at some point. Audit adjustments included 28 entries needed to correct balances of the accounts and transactions not reconciled or analyzed prior to the start of our audit as listed in the internal letter. This large number of adjustments indicates that the District's reporting processes and closing procedures need to be strengthened to ensure these types of adjustments are identified and recorded prior to the start of the audit so they do not have a significant effect on the District's financial reporting process. A list of these adjustments is attached.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing

matter 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 December 14, 2011.

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.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

December 14, 2011

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED JUNE 30, 2010

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of :						Total Net Income
	Total Assets	Total Liabilities	Net Assets	Net Operating Income	Non-Operating Revenue/Exp	Capital Revenue	
Overstatement of water sale receivable compared to detail list from billing system	\$ 5,984		\$ 5,984	\$ 5,984			\$ (5,984)
Overstatement of deposits compared to detail list from billing system.		\$ 3,417	(3,417)	3,417			(3,417)
To record 12 payments of tower lease revenue for the year	(2,773)		(2,773)		\$ (2,773)		(2,773)
Net Unadjusted Audit Differences - This Year	3,211	3,417	(206)		(2,773)		(12,174)
Financial Statement Caption Totals	\$ 9,098,621	\$ 3,153,473	\$ 5,945,148	\$ (198,563)	\$ 277,623	\$ -	\$ (79,069)
Net Audit Differences as % of Financial Statement Captions	0.04%	0.11%	0.00%	0.00%	(1.00%)	0.00%	15.40%

Client: RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Engagement: 2010 AUD - RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Period Ending: 6/30/2010
 Workpaper: TB-2 - Adjusting Journal Entries Report

2/10/2012
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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
Client entry.				
2600	2003 Bond Issue		85,000.00	
7001	NON-OPERATING EXPENDITURES:Debt Service:Revenue Bond 2003-Principle			85,000.00
Total			<u>85,000.00</u>	<u>85,000.00</u>
Adjusting Journal Entries JE # 2				
Client entry.				
5416	OPERATING EXPENDITURES:Office Operations:Office Equipment Maintenance:Photocopy Maintenance		166.00	
1601	Prepaid Expenses:Prepays 09/10			166.00
Total			<u>166.00</u>	<u>166.00</u>
Adjusting Journal Entries JE # 3				
Client entry.				
5219	OPERATING EXPENDITURES:Contractual Services/Agreements:Memberships:AWWA		177.00	
1601	Prepaid Expenses:Prepays 09/10			177.00
Total			<u>177.00</u>	<u>177.00</u>
Adjusting Journal Entries JE # 4				
Client entry.				
5414	OPERATING EXPENDITURES:Office Operations:Office Equipment Maintenance:Billing Software Maintenance		1,268.00	
1601	Prepaid Expenses:Prepays 09/10			1,268.00
Total			<u>1,268.00</u>	<u>1,268.00</u>
Adjusting Journal Entries JE # 5				
Client entry.				
5410	OPERATING EXPENDITURES:Office Operations:Postage		85.00	
1601	Prepaid Expenses:Prepays 09/10			85.00
Total			<u>85.00</u>	<u>85.00</u>
Adjusting Journal Entries JE # 6				
Client entry.				
5204	OPERATING EXPENDITURES:Contractual Services/Agreements:Memberships:ACWA		3,310.00	
1601	Prepaid Expenses:Prepays 09/10			3,310.00
Total			<u>3,310.00</u>	<u>3,310.00</u>
Adjusting Journal Entries JE # 7				
Client entry.				
5407	OPERATING EXPENDITURES:Office Operations:ATM/Credit Card Service/Direct		1,125.00	
1601	Prepaid Expenses:Prepays 09/10			1,125.00
Total			<u>1,125.00</u>	<u>1,125.00</u>

Client: RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Engagement: 2010 AUD - RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Period Ending: 6/30/2010
 Workpaper: TB-2 - Adjusting Journal Entries Report

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8				
Client entry.				
5403	OPERATING EXPENDITURES:Office Operations:Subscriptions/Licensing:Corelogic On Line Service		271.00	
5403	OPERATING EXPENDITURES:Office Operations:Subscriptions/Licensing:Corelogic On Line Service		677.00	
1601	Prepaid Expenses:Prepays 09/10			948.00
Total			<u>948.00</u>	<u>948.00</u>
Adjusting Journal Entries JE # 9				
Client entry.				
5312	OPERATING EXPENDITURES:Field Operations:Permit/Certification/Inspection		175.00	
5312	OPERATING EXPENDITURES:Field Operations:Permit/Certification/Inspection		2,765.00	
1601	Prepaid Expenses:Prepays 09/10			2,940.00
Total			<u>2,940.00</u>	<u>2,940.00</u>
Adjusting Journal Entries JE # 10				
Client entry.				
5010	OPERATING EXPENDITURES:Wages & Benefits:Retirees Insurance		4.00	
5010	OPERATING EXPENDITURES:Wages & Benefits:Retirees Insurance		558.00	
1601	Prepaid Expenses:Prepays 09/10			562.00
Total			<u>562.00</u>	<u>562.00</u>
Adjusting Journal Entries JE # 11				
Client entry.				
5316	OPERATING EXPENDITURES:Field Operations:Pumping:Electricity		1,736.00	
1601	Prepaid Expenses:Prepays 09/10			1,736.00
Total			<u>1,736.00</u>	<u>1,736.00</u>
Adjusting Journal Entries JE # 12				
Audit adjustment to adjust for current portion of compensated absences and eliminate long term portion due to policy change. CC-3				
2510	Accumulated Sick/Vacation:Compensated Absences Long Term		42,794.00	
2610	Accumulated Sick/Vacation - Short Term		27,404.00	
2610	Accumulated Sick/Vacation - Short Term			42,794.00
5002	OPERATING EXPENDITURES:Wages & Benefits:Salary:Staff Regular Pay			27,404.00
Total			<u>70,198.00</u>	<u>70,198.00</u>
Adjusting Journal Entries JE # 13				
Client entry.				
7000	NON-OPERATING EXPENDITURES:Debt Service:Revenue Bond 2003-Interest		25,169.00	
2005	BOND INTEREST PAYABLE			25,169.00
Total			<u>25,169.00</u>	<u>25,169.00</u>
Adjusting Journal Entries JE # 14				
Client entry.				
9000	ENDING RESERVES/RESTRICTED FUND:Depreciation Expense		8,084.00	
1855	2003 Bond Debt Issuance Cost:2003 Bond Cost-Accum Amort			8,084.00
Total			<u>8,084.00</u>	<u>8,084.00</u>
Adjusting Journal Entries JE # 15				
Client entry.				
1220	Accrued Revenues		191,466.00	
4000	OPERATING REVENUES:Water Service Rates:Basic Service Charge			187,394.00
4002	OPERATING REVENUES:Water Service Rates:Backflow Charge			3,158.00
4003	OPERATING REVENUES:Water Service Rates:Fire Protection/Hydrant Meter			914.00
Total			<u>191,466.00</u>	<u>191,466.00</u>

Client: RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Engagement: 2010 AUD - RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Period Ending: 6/30/2010
 Workpaper: TB-2 - Adjusting Journal Entries Report

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 16				
Client entry.				
1210	Restricted Accrued Revenue Surc		44,654.00	
3310	SURCHARGE 2009-03 CAPITAL PROG			44,654.00
Total			<u>44,654.00</u>	<u>44,654.00</u>
Adjusting Journal Entries JE # 17				
Client entry				
2601	2003 Bond Issue-ST portion	CC-2	5,000.00	
2500	2003 Bond Issue-ST			5,000.00
Total			<u>5,000.00</u>	<u>5,000.00</u>
Adjusting Journal Entries JE # 18				
Client entry				
7000	NON-OPERATING EXPENDITURES:Debt Service:Revenue Bond 2003-Interest	CC-2	38,766.00	
1850	1994 Debt Deferred Refunding:1994 Debt Deferred-Accum Amort			38,766.00
Total			<u>38,766.00</u>	<u>38,766.00</u>
Adjusting Journal Entries JE # 19				
Client entry				
3310	SURCHARGE 2009-03 CAPITAL PROG	C-4	14,475.00	
4000	OPERATING REVENUES:Water Service Rates:Basic Service Charge		210,073.00	
1210	Restricted Accrued Revenue Surc			14,475.00
1220	Accrued Revenues			210,073.00
Total			<u>224,548.00</u>	<u>224,548.00</u>
Adjusting Journal Entries JE # 20				
Audit adjustment to accrue accounts payable for the Cal Dept Public Health fee for July 1, 2009 through June 30, 2010.				
5312	OPERATING EXPENDITURES:Field Operations:Permit/Certification/Inspection	AA-3	32,588.00	
2000	Accounts Payable			32,588.00
Total			<u>32,588.00</u>	<u>32,588.00</u>
Adjusting Journal Entries JE # 21				
Reclassifying entry to record clearwire revenue form misc revenue to tower lease revenue.				
6004	NON-OPERATING REVENUES:Miscellaneous Non-Operating	10-1	5,000.00	
6001	NON-OPERATING REVENUES:Tower Leases			5,000.00
Total			<u>5,000.00</u>	<u>5,000.00</u>
Adjusting Journal Entries JE # 22				
Audit adjustment to record accrued LAIF interest and interest income for funds held in the Bank of NY account.				
1310	Accrued Interest-BNY-LAIF	A-6	288.00	
6002	NON-OPERATING REVENUES:Earnings on Monies			288.00
Total			<u>288.00</u>	<u>288.00</u>
Adjusting Journal Entries JE # 23				
Audit adjustment to reverse prepaid amounts and record as expenses for FY9/10.				
5208	OPERATING EXPENDITURES:Contractual Services/Agreements:Insurance:Liability/Vehicle	E-2	6,366.00	
5209	OPERATING EXPENDITURES:Contractual Services/Agreements:Insurance:Property		3,095.00	
1602	Prepaid Insurance			9,461.00
Total			<u>9,461.00</u>	<u>9,461.00</u>

Client: RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Engagement: 2010 AUD - RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT
 Period Ending: 6/30/2010
 Workpaper: TB-2 - Adjusting Journal Entries Report

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 24				
Audit adjustment to close out capital expense accounts into the capital asset accounts.		30-		
1700	Construction in Process Well 15			
1702	SCADA System Under Development		281,326.00	
1703	General Plant		5,885.00	
1716	CIP Well 16		9,996.00	
1717	CIP Well 17		76,848.00	
5436	OPERATING EXPENDITURES: Office Ops: Building Storage		66,279.00	
5323	OPERATING EXPENDITURES:Field Operations:Fixed Assets:Utility Truck		3,643.00	
8000	CAPITAL EXPENDITURES:Capital Acquisition/Improvement:Well #15			9,996.00
8001	CAPITAL EXPENDITURES:Capital Acquisition/Improvement:Well #16			281,326.00
8002	CAPITAL EXPENDITURES:Capital Acquisition/Improvement:Well #17			76,848.00
8003	CAPITAL EXPENDITURES:Capital Acquisition/Improvement:Building and Site Improvements			66,279.00
8004	CAPITAL EXPENDITURES:Capital Acquisition/Improvement:Scada			3,643.00
Total			<u>443,977.00</u>	<u>443,977.00</u>
Adjusting Journal Entries JE # 25				
Audit adjustment to reclassify capital asset balances to agree to capital asset support documentation.		F-2		
1703	General Plant			
5300	OPERATING EXPENDITURES:Field Operations		21,242.00	
1705	Transmission & Distribution		7,658.00	
Total			<u>28,900.00</u>	<u>28,900.00</u>
Adjusting Journal Entries JE # 26				
Audit adjustment to record annual capital asset depreciation and intangible asset amortization.		F-2.1		
1706	Land			
9000	ENDING RESERVES/RESTRICTED FUND:Depreciation Expense		1.00	
9000	ENDING RESERVES/RESTRICTED FUND:Depreciation Expense		16,876.00	
1753	Accumulated Depreciation:General Plant		282,049.00	
1755	Accumulated Depreciation:Transmission & Distribution			11,867.00
1950	Annexation-Boundary Maps:Accum. Amortization Annexation			270,171.00
1951	Master Plan:Accumulated Amortization-Master			4,279.00
1952	Regional Master Plan:Accum. Amortization Regional MP			8,717.00
1953	Standard Improvement:Accum. Amortization-Standards			1,003.00
5300	OPERATING EXPENDITURES:Field Operations			2,877.00
5300	OPERATING EXPENDITURES:Field Operations			1.00
Total			<u>298,926.00</u>	<u>298,926.00</u>
Adjusting Journal Entries JE # 27				
Audit adjustment to true up net asset account balances.		ZZ-2		
3200	Restricted Fund Balances:2003 Bond Reserve with Trustee			
3210	Restricted for Surcharge		4,515.00	
3300	Retained Earnings		25,221.00	
3100	Capital Assets, Net		349,816.00	
Total			<u>379,552.00</u>	<u>379,552.00</u>
Adjusting Journal Entries JE # 28				
Audit adjustment to accrue PERS expense				
5008	OPERATING EXPENDITURES:Wages & Benefits:PERS:PERS Retirement			
2105	Payroll Liabilities:Pers Payable		19,216.00	
Total			<u>19,216.00</u>	<u>19,216.00</u>

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

To the Board of Directors and Management
Rio Linda/Elverta Community Water District
Rio Linda, California

In planning and performing our audit of the financial statements of the Rio Linda/Elverta Community Water District (the District) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we also became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency and have been included in this letter for your consideration. A separate report dated December 14, 2011, contains our report on material weaknesses in the District's internal control. This letter does not affect our report dated December 14, 2011 on the financial statements of the District.

Fraud Reporting Procedures

We recommend the District develop and adopt a Fraud Prevention/Whistle Blower Policy. The policy or procedures should include a discussion of what types of activities constitute fraud or contracting improprieties, how an employee should report such suspected fraud or contracting improprieties and to whom or where an employee should report such activities, including reporting procedures if an employee's supervisor or a member of senior management is suspected of these activities.

Risk Assessment Plan

We recommend that the District develop a risk assessment plan to identify those risks within the District that could result in fraud or material misstatement of the financial statements, and then to implement internal controls to mitigate those identified risks. This risk assessment plan should identify potential risk areas and then ensure controls or processes are in place to mitigate those risks. This risk assessment should be performed on a periodic basis and can be incorporated into existing staff and management meetings.

Investment Policy

The District does not have an approved investment policy as required by Government Code Section 53600.3. This policy and any changes must be considered at least annually by the Board at a public meeting. We recommend that an investment policy be developed and approved by the Board.

To the Board of Directors
Rio Linda/Elverta Community Water District
Page 2

Standby Fees

The District paid out \$13,985 of standby pay, which is paid out at a rate of \$20 per day. We noted that each pay period, at least two and sometimes three employees were on call. The District should evaluate whether there is a need for having two to three employees on call every day.

We will review the status of these comments during our next audit engagement. We have already mentioned these comments and suggestions with various company personnel, and we will be pleased to discuss them in further detail at your convenience or to assist you in implementing the recommendations.

* * * * *

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

December 14, 2011

2009/10 AUDIT RESPONSE

Item	Recommendation or Comment	Response
Auditors Report	Has not adopted Post employment benefits GASBS 45	The District needs to have GASB 45 actuarial done to determine amount to reserve for future post retirement liabilities
	Did not perform physical inventory at June 30, 2010	The District has performed a physical inventory as of 6/30/11. It is being priced out for the 10/11 audit
	Outcome of allegations of fraud is unknown.	Still unknown
	Sufficient recurring losses as to question going concern	A rate increase was implemented on 5/10 to increase operational income with a 3% increase annually to keep up with inflation. Another problem is we budget on a cash basis however when Auditor's book \$350,000 in depreciation and amortization it throws us into a loss each year. We do not fund amortization or depreciation.
Foot Notes		
Note A	No approved investment policy	We need to develop this. Please provide an example
	Do not provide for an allowance for uncollectible accounts	All losses are minimal because of liens however there are numerous old hanging balances (\$10-\$20) that will be corrected.
Note D	Pledged Revenue- Where did amounts come from/?	Need to get from Auditors
Note G	District contribution to PERS where did amounts come from	Waiting for response from PERS
Internal Control Letter schedule of findings		
2010-1	Need actuarial valuation performed for GASBS 45	Actuarial still needs to be done.
2010-2	Need checklist for year closing procedures	Being developed estimated completion 3/15/12
	All balance sheet accounts need to be reconciled and account balances analyzed	Working on this proposed complete 1/31/12
2010-2a	There are unreconciled differences in AR \$5984; AP \$3417 and surcharge account (\$5444).	Due to methods of last bookkeeper AR and AP may not be able to be reconciled. Probably needs to be written off.
	Need to reconcile billing system to the GL throughout the year	This is our current practice
	Evaluate the allowance for uncollectable	See above

2009/10 AUDIT RESPONSE

	accounts throughout the year	
2010-2b	Enter all AP invoices when received	This is our current practice
2010-2c	Calculate interest payable monthly	In progress should be completed 1/31/12
	Maintain supporting documents for deferred amount on Long Term Debt	This is from 2003 will search again
2010-2d	Adjust net assets to agree with restricted cash	This will be done for 6/30/11 audit
2010-2e	Well 14 land not valued and recorded Procedures need to be developed for donated assets	Was recorded in audit will develop process
	Need procedure for donated assets	Please provide an example policy
2010-2f	Need proper procedure to track cell tower leases to insure revenue is collected	In progress plan to have completed by 2/15/12
2010-2g	Prepaid expenses not amortized-need to amortize over estimated period they are used	In progress plan to have completed by 2/15/12
2010-2h	Perform a physical inventory at least once a year	This is being done annually
2010-2i	Accruals not being performed prior to audit such as accrued water billings, liability for comp time and PERS retirement owed.	In progress plan to have completed by 1/31/12
General	Develop an accounting manual	This is being developed
2010-3a	GM should receive bank statements and review before giving to bookkeeper	This is current practice
	GM should review bank reconciliations when they are complete and sig off	This is current practice
	Board should review lists of all checks written	This is current practice
2010-3b	Signed checks should not be returned to bookkeeper	Checks are not returned to bookkeeper until both signatures are procured then returned for disbursement. Bookkeeper is not a signatory on the accounts
2010-3c	GM should review and review list of all billing adjustments and document the sign off of the review	This is current practice
2010-3d	Bookkeeper should reconcile all bank deposits to the billing register	This is current practice
2010-3e	All maintenance entries such as rate changes should be reviewed and approved by the GM	This is current practice
	GM should review the payroll registers and document the sign off	This is current practice
2010-3f	Conduct regular staff meetings to identify and resolve issues	This is current practice

2009/10 AUDIT RESPONSE

2010-4	Establish a financial reporting system	This has been established
	Prepare investment reports to comply with the Government Code	Please provide code section so we can implement.
2010-5	Develop accounting procedures for proper filing and storing of accounting documents	The District's record retention policy addresses storage and retention of records
2010-6	Maintain a capital asset listing including depreciation	The capital asset list is maintained and depreciation is noted
	Record capital asset additions and retirements and depreciation to the asset accounts, not the operating accounts	This is being done as additions and deletions occur
	Sold and retired assets should be removed from the list	These are removed from the list
	Reconcile the capital asset accounts to the General Ledger	Plan to be completed 3/30/12
	Capital asset listing should include land, donated assets and intangibles	We need to have property appraised then it will be added to the list.
2010-7	Board of Directors should approve all loans or transfers from the Surcharge account	It is not planned to need to borrow from the Surcharge fund. But if needed it would be Board approved.
	Deposit surcharge collected directly to the surcharge bank account or at least quarterly reconcile the amounts deposited to the Surcharge account	The surcharge funds are collected daily and put into the Operating account. Monthly they are transferred to the Surcharge fund. It is not practice to deposit daily as surcharge and operating funds are on the same check from customer.
2009-1	Rebalance workloads and address item 2010-3	Working on this right now. Once audits are done we are reevaluating accounting duties.
2009-2	Prepare an organization chart	This is done
2008-2	Back up all computer data	Backed up nightly to server
2008-3	Prepare an adequate reporting system – see 2010-4	This has been established
2007-2	Prepare a formal accounting and procedural manual	Working on this it is an ongoing process
December 14, 2011 letter to the Board		
	Implement GASBS 45	Actuarial needs to be done
	Take periodic but at least annual physical inventories	This is current practice
	Investigate allegations of fraud	This is being done by DA, FBI & Auditor

2009/10 AUDIT RESPONSE

	Record transactions in the proper period	This is current practice
	Audit required 28 adjusting entries to correct balances	This should not be a problem in the future
Letter to the Board and Management		
	Develop a fraud prevention/whistle blower policy	Needs to be developed
	Develop a risk assessment plan and develop internal controls to mitigate	“ “
	Develop an approved investment policy as required by the Government Code	“ “
	Evaluate whether 2 and sometimes 3 employees need to be on standby on the same day.	Only 1 employee is on call on any day now.



State of California—Health and Human Services Agency
California Department of Public Health



RON CHAPMAN, MD, MPH
Director & State Health Officer

EDMUND G. BROWN JR.
Governor

December 8, 2011

PWS No.: 3410018

Ms. Mary Henrici
General Manager
Rio Linda/Elverta Community Water District
P.O. Box 400
Rio Linda, CA 95673

2011 COMPLIANCE INSPECTION REPORT OF THE RIO LINDA ELVERTA COMMUNITY WATER DISTRICT WATER SYSTEM

On August 18, 2011 Salvador Turrubiartes of the California Department of Public Health (CDPH) accompanied you and Mr. Patrick Goyet on an inspection of the Rio Linda Elverta Community Water District. Please review the enclosed report and respond to the items listed in both the report and the Compliance Inspection Findings Section (Appendix A) by the indicated response deadlines.

If you have any questions, please contact me at (916) 449-5668 or Salvador Turrubiartes at (916) 552-9998 or salvador.turrubiartes@cdph.ca.gov.

Sincerely,

Roxanne Cargill, P.E.
Sacramento District Engineer
Drinking Water Field Operations

Enclosures

**California Department of Public Health
Drinking Water Field Operations Branch
Compliance Inspection Report**

Purveyor: Rio Linda/Eiverta Community Water District **System Number:** 3410018
Person(s) Contacted/Title(s): Pat Goyet – Chief Operator; Mary Henrici – General Manager
District Engineer: Roxanne Cargill, P.E. **Reviewing Engineer:** Salvador Turrubiarles – Sanitary Engineer
Inspection Date(s): August 18, 2011 **Last Inspection/Inspector:** March 4, 2009 by Salvador Turrubiarles

A. INTRODUCTION

1. PERMIT STATUS

California Code of Regulations, Title 22, Chapter 14: Water Permits

Full Permit: Permit issued March 29, 1965
Permit Amendment(s): 2/5/1979, 3/18/1988 & 3/16/1994 to add new wells
Permit Conditions: Monitor water quality
Public Water System Classification: Community Water System, D3 Classification

Table 1 - Permit Summary

Permit Number	Permit Type	Permit Date	Comments
65-42	FULL	3/29/1965	Permit the use of Wells 1 - 6
Unknown	Amend.	2/5/1979	Add Well 9
Unknown	Amend.	3/18/1988	Add Wells 8A, 11, and 12
Unknown	Amend.	3/16/1994	Add Well 2A

Discussion and Appraisal: The Rio Linda/Eiverta Community Water District (District) submitted a permit amendment application to the California Department of Public Health (CDPH) to add a new well (Well 14) and update the permit status on a number of additional wells (Wells 7 and 10) in the distribution system. However, the District had decided to cancel this project when it discovered that it had high arsenic and manganese levels and would require treatment. This application for Well 14 was rescinded. The District was issued a Compliance Order in 2007 and again in 2009 for inadequate water source capacity. The District has plans to construct three (3) new wells, to be assigned the title of: Well 15, Well 14A (Well 14's replacement) and Well 17. The District began drilling of Well 15 on April 18, 2011.

2. SYSTEM CHANGES

Recently completed changes: The District has installed a SCADA system to monitor well production, distribution pressure and well characteristics. Well 15 has its well drilled, above ground construction is still in the works.

Planned future changes: Construct Wells 15, 14A, and 17 for additional source capacity. The District has also planned to reactivate Well 3 and install a new booster pump suction line for the Well 5 booster station.

Discussion and Appraisal: The District plans to construct three new wells to provide additional water supply along with backup generators. Although the plan was to construct Wells 15, 16 and 17, the District could not secure the property for Well 16 so the District decided to revisit the well 14 property and use this property for a new well. The next well to be drilled will be Well 14's replacement, to be called Well 14A.

3. CONSUMER AND PRODUCTION DATA

Table 2 - Finished water produced, purchased or sold.

	2003	2004	2005	2006	2007	2008	2009	2010
Service Connections:								
Total	4,325	4,413	4,423	4,439	4,483	4,616	4,616	4,616
Metered	4,325	4,413	4,423	4,439	4,483	4,616	4,616	4,616
Flat Rate	0	0	0	0	0	0	0	0
Population Served:								
Permanent	16,300	16,300	17,091	17,100*	17,100	13,386	13,386	13,386
Seasonal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Water Production (MG):								
Total	1,030	1,110.1	1,045.6	1,100	1,112.4	1088.5	937.7	886.6
Maximum Month	August 169	June 156.8	July 182	July 181.4	June 160.5	July 154.2	July 148.3	July 147.4
Maximum Day	5.45	5.23	5.8	5.6	9.7	7.46*	n/a	4.7
Purchased Water (MG):								
Total	n/a	n/a	n/a	n/a	35.4	1.59	2.297	0.6
Maximum Month	n/a	n/a	n/a	n/a	July 14.2	August 1.0	August 0.94	June 0.4
Maximum Day	n/a	n/a	n/a	n/a	1.2	n/a	n/a	0.013

Discussion and Appraisal: The District currently under a compliance order, 01-09-07-CO-004, due to insufficient source capacity. In 2007 there were instances that the distribution had a number of low pressure events. Since then the District has placed a service connection moratorium, and has placed into effect a conservation program to reduce water use from customers. Purchased water from Sacramento Suburban WD (SSWD) is a combination of ground and surface water. The District has updated it's interconnection agreement with SSWD. Total water consumed as reported by the District, can be seen in Figure 1 below. The District adopted an Urban Water Management Plan in 2005, that will need to be updated in 2011. The District's Board of Directors also passed Ordinance 2008-01 on April 14, 2008 that governs water service during a water shortage. A Water Conservation Program was prepared and submitted to CDPH on April 30, 2011 as part of the District's Operations and Maintenance Program. Details of the District's pressure monitoring will be discussed in Section E.3 System Pressure.

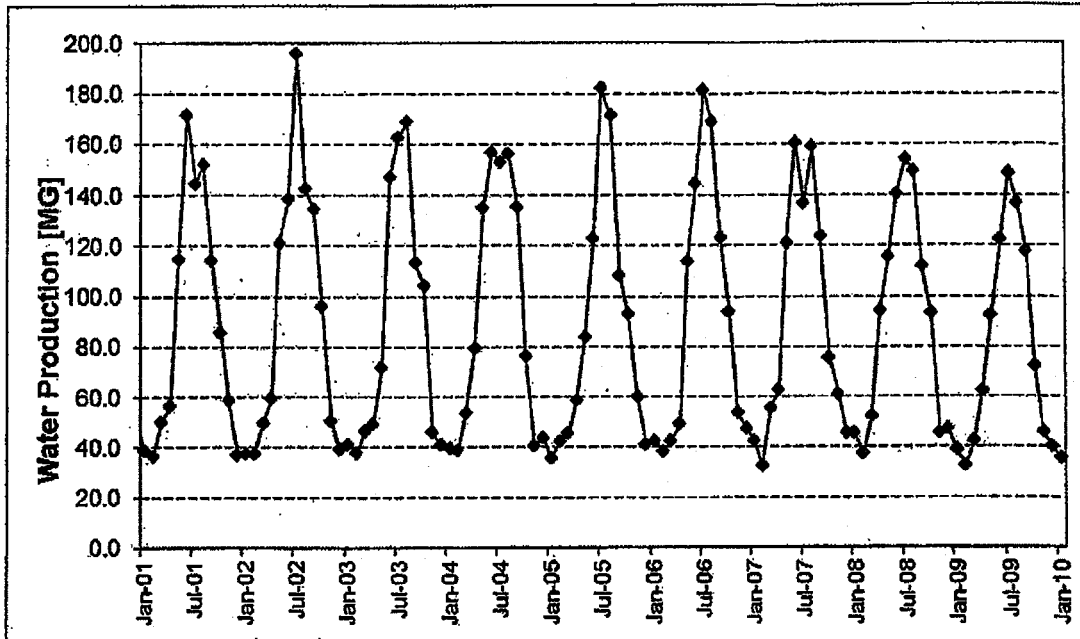


Figure 1 - Water Production trend

B. SOURCE DATA

1. Approved sources

Table 3 - Sources

Sources	Status	Capacity (gpm)	Comments/Deficiencies
Groundwater			
Well 2A	AU	800	See comments (a); located west of Dry Creek
Well 3		(500)	See comments (b); offline since 7/1/2006
Well 4	AR	600	See comments (c); located east of Dry Creek
Well 5			See comments (d); Abandoned and disconnected; site converted to a booster pump station
Well 6	AR	500	See comments (e); located north-west of Dry Creek
Well 7	AR	700	See comments (f); located west of Dry Creek
Well 8A	AR	600	See comments (g); located east of Dry Creek
Well 9	AR	600	See comments (h); located west of Dry Creek
Well 10	AR	800	See comments (i); located south
Well 11	AR	900	See comments (j); located east of Dry Creek
Well 12	AR	500	See comments (k); located west of Dry Creek
Well 14			See comments (l); located west side
Well 15	P		See comments (m); located east side
Total Capacity (gpm):		6,000	*values were supplied by the District in its 12-1-10 O&M Plan submittal
Purchased from other systems			
Sacramento Suburban Water District (SSWD)			See comment (n); 8-inch line; located on east side
Emergency Connections			
Sacramento Suburban Water District (SSWD)			8-inch pipe located at 6833 30 th Street. Water would ordinarily flow from SSWD to the District

Discussion and Appraisal: The District has nine (9) active groundwater sources in its distribution system. Most of the wells were constructed before 1987 and drilled by cable tool method; the oldest active well, Well 4, is more than 50 years old. Wells 3 and 5 were removed from service due to arsenic concentrations above the federal arsenic maximum contaminant level (MCL), of 10 ppb, in 2006. Well 3 has recent sampled and has arsenic levels at the MCL level of 10 ppb. The District is in the process of reactivating the well. The water system was in the process of completing Well 14, but did not pursue to finish. All wells are oil lubricated with NSF approved oil. The District plans to construct three additional wells in the distribution system within the next five years, Wells 15, 14A and 17. A number of wells have pump bases that are not 18" above ground and two wells that do not have concrete pads that surround the entire well. Although most wells were constructed prior to California Department of Water Resources (DWR) Bulletins 74-81 and 74-90, the District's will modify their wells so that they will at least meet the similar requirements as new wells as per the Water Works Standard in Title 22 of the CCR, Section 64560(c). As pumps are pulled for maintenance, the District will remove the existing pump base and install a new pump base that meets the current water well standards.

There are three other water utilities adjacent to the Rio Linda/Elverta Community Service District: 1) Sacramento Suburban Water District (currently inter-tied), the City of Sacramento Water System and Cal-American Water Company. These water utilities have their own water supply and treatment systems. To enable the District to have uninterrupted water service during power outages, the District uses backup generators. The new wells will also be equipped with backup generators.

Table 4 - Comments on Rio Linda/Elverta Community Water District Sources

Comment (Pump Size)	Notes	Defects/Concerns:
A Well 2A (60-HP)	Well was drilled in 12/20/1993 and appears to meet well standards. This well is in an active status. Flush to waste is possible for this well. This well has a right angle drive generator that runs on natural gas, supplied by PG&E. It was operating at the time of the inspection. The hydropneumatic tank has been disconnected from the system. The District plans to remove this tank. The well is secured by a perimeter fence. This well is tied into to SCADA and operates based off of the elevated tanks water level and system pressure.	Well was drilled by a cable tool method. The pedestal rests atop of a concrete pad that surrounds only three sides of the pedestal, the south side of the pedestal is just dirt.
B Well 3 (40-HP)	Well was drilled in 1956, the oldest well in the District. The well pedestal is short, but the seal between the pedestal and wellhead appeared good. Well was removed from service on July 1, 2006, and at the time of the inspection the well was not operating and did not have an air gap separation between the well and the distribution system. The well remains connected to the pressure tank on site and according to staff the tank is valved off from the distribution system. The control panel for the well has power in the "off" position. There is no chlorine equipment at this site. The operation of this well was based on local pressure with the assistance of a Mercoid switch. The District plans to request CDPH to reclassify the well from inactive to active.	Well was drilled by a cable tool method. It was taken offline due to creeping arsenic levels to the 10 ppb mark. The District has proposed reusing this well to meet source capacity demand. Although the site is fenced off, the height and condition of the fence appear to need some work. The pedestal height for this well is short and should be replaced the next time the well pump is pulled for maintenance.
C Well 4 (60-HP)	Well was drilled in 1960. The well's pedestal is short, but the seal between the pedestal and wellhead appeared good. This well was given a flush to waste line for future redevelopment. The well is secured by a perimeter fence. There were	The well was drilled by cable tool method. A sounding tube comes out of the wellhead in order to check for pumping water levels. The pedestal height for this well is short and should be

	no defects or concerns at this site. This well uses a Mercoid pressure switch to operate based on local system pressure.	replaced the next time the well pump is pulled for maintenance. A new screen needs to be installed on the ARV.
D Well 5	Well was drilled in 1962, but the pump motor has been removed. The well has been disconnected from the distribution system. There is currently a booster station on the well site. The booster pump station does not operate as intended due to an undersized suction line. The District has plans to engineer a fix to the booster station this year with construction planned for next year. The solution will most likely be a larger booster suction line. The motor has been removed, but the discharge head and pump remain in the well. The well was permanently removed from service on January 1, 2006. The well is secured by a perimeter fence and the booster station is inside of a building. See Section E.4 for additional info.	The well needs to be reclassified as a monitoring well or destroyed with the pump removed from the well per water well standards.
E Well 6 (50-HP)	Well was drilled in August 1965. The well's pedestal is short compared to well standards, but appears in good condition. The well is secured by a perimeter fence. Treated water passes through a pressure tank before it gets pumped to the distribution system. There were no defects found at this site. This well uses a Mercoid pressure switch to operate based on local system pressure.	This well was drilled by cable tool method. The pedestal height for this well is short and should be replaced the next time the well pump is pulled for maintenance.
F Well 7 (60-HP)	Well was drilled in 3/18/1974. A large chunk of the pedestal has broken off. Pump to waste is capable at this well. Treated water passes through a pressure tank before it is pumped to the distribution system. There is also a weather station, installed by the County, on this well site, behind the pressure tank. This well uses a Mercoid pressure switch to operate based on local system pressure. A new coat of paint was being applied at the time of the inspection. The well is secured by a perimeter fence.	This well was drilled by cable tool method. The well's pedestal does not rest atop of a typical pump base as described in California Department of Water Resources (CDWR) Bulletins 74-81 and 74-90. There was a large chunk of pedestal that has broken off which should be repaired. The ARV on this well was not an inverted U in design, or appeared to be screened. The District will need to replace this air release valve. At the time of the inspection a leak was noticed on piping between the pressure tank and pressure instruments. This should be fixed. The pedestal should be replaced the next time the well pump is pulled for maintenance, so as a minimum, it is constructed in accordance with community water system well requirements in CDWR's Bulletins 74-81 and 74-90.
G Well 8A (60-HP)	Well was drilled in May 1987. This well was constructed to well standards, and the condition of the pedestal appeared good. This well is equipped with a sand separator. The chlorine injection point is located before the sand separator. According to staff the sand separator is flushed twice a week, M & F. The District has added a flush to waste line to	This well was drilled by cable tool method. At the time of the inspection the chlorine injection tap was located about 1-inch away from the raw water sample tap, this injection should be moved further away.

Sanitary Hazards to Source Water: There are a number of creeks in the District in close proximity to the Districts groundwater sources; however, raw water monitoring has not found any bacteriological activity in any well, so there is no influence from surface water.

Body Contact Recreation: N/A

Sewer/septic proximity: See Table 5 below which summarizes the Districts DSWAP

Table 5 - Summary of Source Water Assessment Program

Source	Most vulnerable to the following activities		Discussion of Vulnerability
	Associated with contaminants detected in the water supply	Not associated with any detected contaminants	
Well 2A	Septic systems – high and low density	Illegal activities/ unauthorized dumping Sewer collection systems Wells – agricultural/ irrigation Dry cleaners	Nitrate detection at this source have been around ¼ of the MCL. Source is also vulnerable to activities located near the drinking water source. It is said that the District monitors activities that occur within the recharge area of the wells
Well 3	Septic systems – high and low density	Illegal activities/ unauthorized dumping Sewer collection systems Wells – agricultural/ irrigation	Same as above.
Well 4	Septic systems – high and low density	Airports – maintenance/ fueling areas	Same as above.
Well 5	Septic systems – high and low density	Fleet/ truck/ bus terminals Illegal activities/ unauthorized dumping	Same as above.
Well 6	Septic systems – high and low density	Illegal activities/ unauthorized dumping Sewer collection systems	Same as above.
Well 7	Septic systems – high and low density	Illegal activities/ unauthorized dumping Sewer collection systems Plastics/ synthetics products	Same as above.
Well 8A	Septic systems – high and low density	Automobile – repair shops Electrical/ electronic manufacturing Illegal activities/ unauthorized dumping	Same as above.
Well 9	Septic systems – high and low density	Chemical/ petroleum processing/ storage	Same as above.
Well 10	Septic systems – high and low density	Illegal activities/ unauthorized dumping	Same as above.
Well 11	Septic systems – low density	Illegal activities/ unauthorized dumping	Same as above.
Well 12	Septic systems – high density	Fleet/ truck/ bus terminals Illegal activities/ unauthorized dumping Sewer collection systems Automobiles – gas stations	Same as above.
Well 15	Septic systems – high density	Chemical/petroleum processing/storage Injection wells/dry wells/sumps Metal plating/finishing/fabricating Underground injection of Commercial/Industrial Discharges	Due to the density of storage units, small mechanic shops and residences, chemical and petroleum storage along with septic dry wells become significant contaminating activities. Water quality is excellent with no detections from VOCs or SOCs and only a secondary MCL exceedence for manganese.

Table 6 - Well construction characteristics

Source	Well Casing Diameter [inches]	Annular Seal Depth [feet-bgs]	Well Depth [feet-bgs]	First Perforation [feet-bgs]	Impervious Strata (clay)	
					Depth [feet-bgs]	Thickness [feet]
Well 2A	24/16/14	138	520	235		
Well 3	18/16	50	267	520		
Well 4	16	50	492	?		
Well 5	14/12/10	60	508	188		
Well 6	14/12	76	570	445		
Well 7	14/12	55	356	180		
Well 8A	14	110	393	243		
Well 9	14	58	526	435		
Well 10	14	50	585	340		
Well 11	16	95	435	202		
Well 12	16	90	590	210		
Well 15	20	254	450	299		

C. TREATMENT

1. WELLHEAD DISINFECTION

Process Description: The only treatment the District is providing for their groundwater sources is disinfection with a 12.5% sodium hypochlorite solution. The District stores its chlorine solution in 50-gallon single walled drums and uses Tacmina Corp. Solenoid-Driven Metering Pumps, that have a maximum dosage rate of 0.47- gallons per hour (gph) into a maximum pressure head of 145-psi. Chlorine is injected after the check valve of each wellhead. The chlorine feed pumps operate only when the well is running.

Continuous disinfection provided: X Yes No Unknown

Provisions for emergency chlorination provided: X Yes No Unknown

Description of monthly treatment records: Monthly records includes daily recordings of the chlorine storage drum level, chlorine residual, the amount of chlorine added to the storage drum, and the capacity and production of the well.

Table 7 - Disinfection system chemical information.

Chemicals used	Typical Residual (mg/L)	Chemical Manufacturer	ANSI/NSF Standard 60 Approval	Injection points	Mixing provided
12.5% Sodium Hypochlorite solution	0.7 - 0.9	Sierra Chemical	Yes	After check valve	inline

Discussion and Appraisal: The chlorine residual is typically sampled at the inlet side of the hydropneumatic tanks. The District has provided sturdier chlorine equipment sheds at each of the active wells sites, since the last inspection. Each chlorine shed has a designated electrical outlet that gets powered when the well is operating; the feed pumps were the only electrical device plugged into these outlets during the inspection. The sheds are properly screened and ventilated.

A safety concern for staff is that there is limited information of the chemical stored at each active well site and an absence of eye wash stations. Although sheds have placards that state "Danger: Chlorine", the contents of the majority of the chlorine drums in the District do not identify its contents. The District shall provide labels identifying "12.5% sodium hypochlorite solution" on storage drums and provide safety placards identifying the risks of stored chemicals within sheds. Materials Safety and Data Sheets (MSDS) for chemicals stored at each well site shall be provided to provide staff. There are no eye wash stations at any of the well sites, the District should contact the California Department of Industrial Relations (Cal/OSHA) for guidance on eye wash stations. The District does not have any alarms tied into SCADA to notify staff if chlorine feed pumps are

working, thus the District performs daily site visits to check on the status of the well and disinfectant equipment. Procedures for a chemical spill are outlined in the District's Emergency Response Plan. Discussion on the District's chlorine residual in the distribution system will be discussed in Section F.3. Disinfection By-Products Rule.

D. RESERVOIRS AND STORAGE TANKS

California Code of Regulations, Title 22, Chapter 16, Article 3: Distribution Reservoirs

Table 8 - Reservoir and storage tank summary.

Name	Type	Capacity	Comments
Water Tower	Elevated Steel	125,000	Last inspected and cleaned in 1/22/2008.

Legend:

SRV/SSV = Screened Roof Vent/Screened Side Vent
 SO = Screened Overflow

DS = Drain to Sewer
 SAH = Sealed Access Hatch

Reservoir data sheets on file: Yes No Unknown
 Storage capacity meets Waterworks Standards: Yes No Unknown
 Reservoir design meets Waterworks Standards: Yes No Unknown

Discussion and Appraisal: Water Tower was installed in the distribution system in 1950. The District lacks adequate water storage. The elevated water tank provides system storage as well as maintains system. Although the District is more in need of additional source supply, additional storage tanks may be beneficial and could provide additional peak hour, emergency and fire flow supply. The tank uses a single 12-inch inlet/outlet to fill the tank and serve the distribution system and has a 6-inch drain line that goes to the District's Storm System. The District's SCADA system does monitor the water level in the tank through the use of a pressure transducer, located within the District's building.

E. DISTRIBUTION SYSTEM

1. DISTRIBUTION SYSTEM INFORMATION

Distribution system classification: D3

Distribution system maps on file: Yes No Unknown
 Distribution system data sheets on file: Yes No Unknown

Discussion and Appraisal: The District is classified as a D3 distribution system based on its population size, its single pressure zone, its single storage tank, and one type of disinfection chemical. According to CA Regulations, Title 22, the District needs at least a D3 chief operator to run the water system. Operator Certification will be discussed in Section G.1. A copy of the District's distribution classification can be found in Appendix B.

2. CONSTRUCTION PRACTICES

California Code of Regulations, Title 22, Chapter 16: California Waterworks Standards

Facilities constructed to meet Waterworks Standards: Yes No Unknown
 Water/Sewer Separation practices meet Waterworks Standards: Yes No Unknown
 Lead pipes, joints, or solder used in the distribution system: Yes No Unknown

Discussion and Appraisal: Some of the District's wells were constructed prior to the current Water Well Standards where the pump pedestals are lower than 18" as currently required and some without a concrete pad that surrounds the surface of the well. These pump bases will be replaced when the well pump is

removed for maintenance so that these wells may at least meet the requirements of CDWR Bulletins 74-81 and 74-90

3. PRESSURE ZONES

Table 9 - Distribution pressure zones summary.

Pressure Zone Name	Pressure Range (psi)	Water Sources	Storage Capacity	Comments
Single Pressure Zone	45 -75	All		
East	45 - 65	Wells 4, 8, 11, Intertie	none	East of Dry Creek, capacity = 3,900-gpm
West	65 - 75	Wells 2A, 6, 7, 9, 10, 12	0.4-MG	West of Dry Creek, capacity = 2,100-gpm

Discussion and Appraisal: The District has no significant changes in elevation, so the distribution system had no need to install pressure reducing stations or designate multiple pressure zones. However, the District is divided between East and West by Dry Creek. Most of the Districts wells are located on the west side of the distribution system, the east side of the District had the instances of low pressure that resulted in the issuance of Compliance Order No. 01-09-07-CO-004. Although the District plans to install three wells, the response from the District has been slow, a second Compliance Order No. 01-09-09-CO-004, was issued with deadlines in place to direct the District to construct the necessary groundwater sources to raise the service capacity of the District. In addition to installing pressure loggers at each active well, the District installed pressure loggers at three fire hydrants located along the outskirts of the water system. CDPH has required that the District report the lowest pressure reading from each of these loggers daily in a monthly report along with the water production from the wells. Figure 2 shows the minimum pressure trends in the west side of the District along with the minimum pressure trends in the southwestern area of the District, (average of minimum pressure from pressure stations (PS-1) and Wells 9 and 10), and what could be described as the Central District area (average of minimum pressures from Wells 2A, 12, 7 and 6). Figure 3 shows the minimum pressure trends in the east side of the District along with the northeastern area of the District (average of pressure stations PS-2 and PS-3) and the area closest to Dry Creek (Well 4). Within the last four years the District has experienced a number of low pressure situations at some of their pressure recording stations.

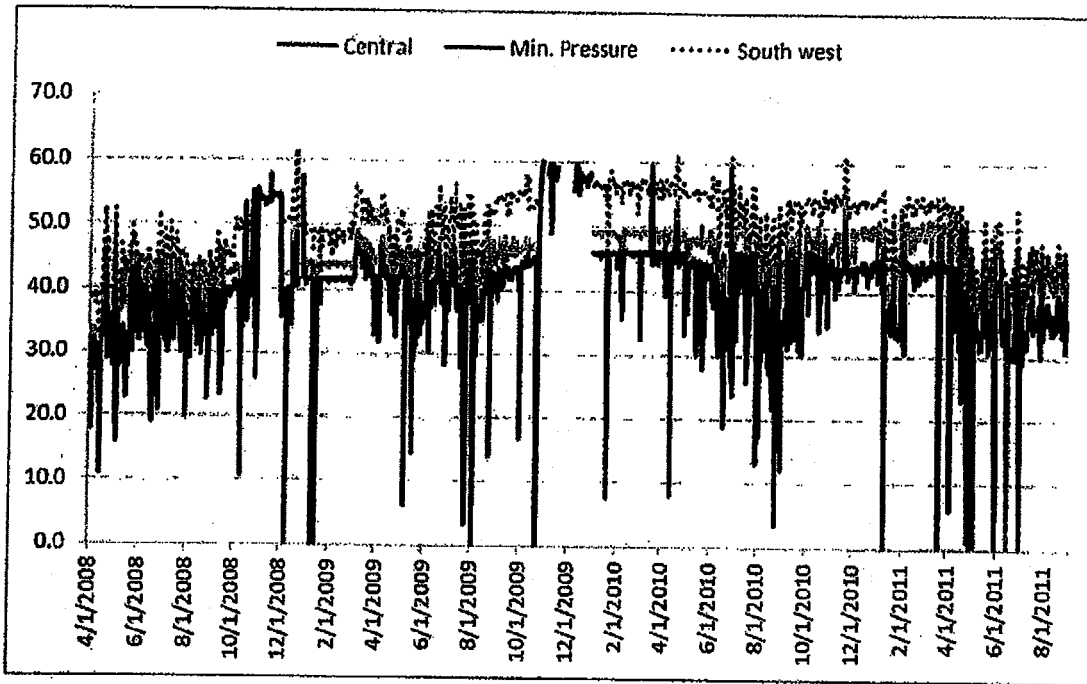


Figure 2 - West Side Minimum Pressure data trends

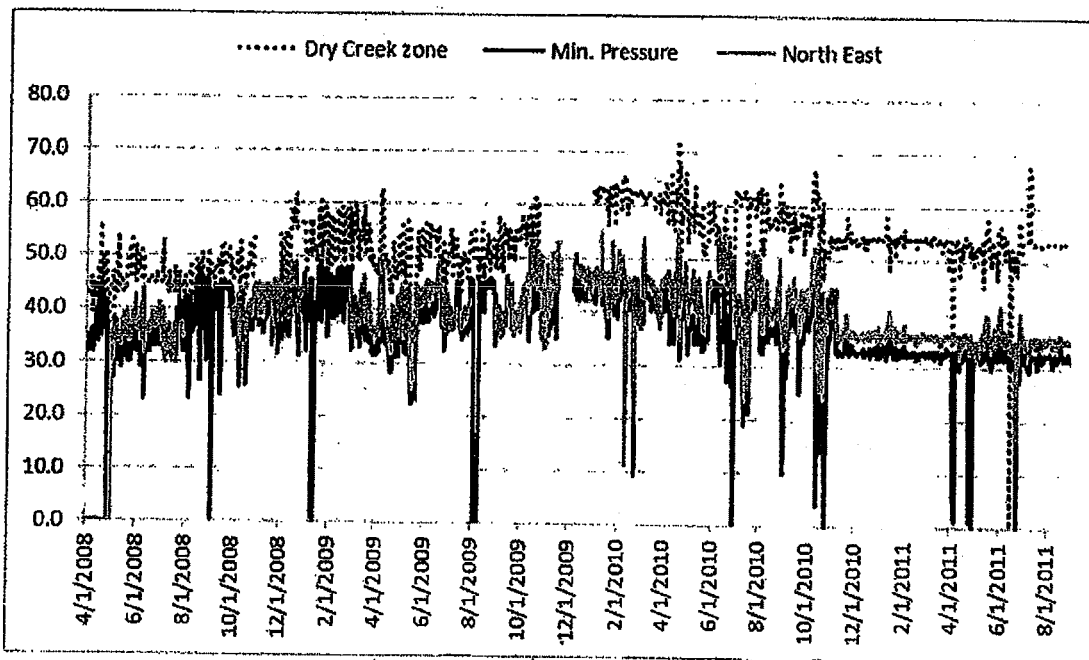


Figure 3 - East Side Minimum Pressure data trends

4. BOOSTER PUMP AND PRESSURE SUSTAINING VALVES

California Code of Regulations, Title 22, Chapter 16, Article 4: Pumping Stations

Table 10 - Summary of booster stations

Station	Capacity [gpm]	Status	From Zone	To Zone	Comments
Pump Station #5	1000	Active	West - center	West - north	2 pumps @ 500-gpm
Elkhorn PSV #1	n/a	Active	East	West	
Q St. PSV #2	n/a	By-passed	East	West	

Discussion and Appraisal: A booster pump station with two booster pumps was installed on the Well 5 pump site. After the well was disconnected from the water system, the District decided to install a booster pump to maintain pressure within the distribution system between 45 – 60 PSI. The District has the booster pump station turn on when the discharge side drops below 45 PSI. Two 20 HP pumps run in parallel, and try to maintain the pressure in the distribution system around 50 PSI. The control panel is set to shut the booster pumps off when the discharge side reaches 60 PSI, or the suction side drops below 25 PSI. The booster station is currently not working as intended because of the undersized suction line. The District is planning to complete the design of a new water line to better supply the booster station in the spring with the construction of the pipeline in the fall of 2012.

The Pressure Sustaining Valves (PSVs) were installed by the District between 2007-2008 to help maintain a pressure of 65-psi on the East side of the District, because the elevation of the East side of the District is slightly higher than the west side, water would flow to the west and result in Wells 4, 8 and 11 operating continuously. Water would not flow East to West until the pressure of the East side of the District exceeded 65 psi to provide water to the West side. The valves are housed in a vault that is locked to prevent tampering. The PSV on Q Street is not being used, since the District realized that it needed additional capacity to maintain pressure on both sides of the District, so to avoid low pressure occurrences in the West side of the district, the second PSV is bypassed.

5. WATER MAINS AND SERVICE CONNECTIONS

California Code of Regulations, Title 22, Chapter 16, Article 5: Water Mains and Appurtenances

Table 11 - Summary of water mains

Material	Amount (feet)	Size (Inches)	Condition	Comments
Mixed: Transite, C-900, PVC, Ductile Iron	25,133	4	Fair to Good	
Mixed: Transite, C-900, PVC, Ductile Iron	97,680	6	Fair to Good	
Mixed: Transite, C-900, PVC, Ductile Iron	191,981	8	Fair to Good	
C-900 PVC	264	10	Good	
C-900 PVC, Ductile Iron	8,015	12	Good	

Water Main and Service Connection Leak History: In 2010 the District reported a total of 77 service connection breaks/leaks, and investigated 115 case, with nearly all leaks being due to a stress point on the polyethylene line near the connection to the saddle's corporation stop. The District also experienced 3 water main breaks/leaks that resulted in the District issuing one Boil Water Order to the community; the cause of the water main break was undetermined but water samples came back negative for total coliform and Ecoli bacteria and the Boil Water Order was lifted by CDPH.

In 2009 the District reported a total of 35 problems all of which were service connection breaks/leaks; 87 service connections were investigated. According to the District the service leaks were due to the same issue as the leaks described in 2010.

In 2008, the District had a total of 55 service connection breaks/leaks, with nearly all leaks being the same as the leaks described in 2010. The District also had 1 water main break/leak.

In 2007 the System had a total of 64 service connection breaks/leaks, with nearly all leaks being the same as the leaks described in 2010. There was also one (1) water main break. In response to these failures the District would replace the service lines with a new type of K Copper service line from the water main to the service box. The water main break the District experienced was a crack on the top of a 4-inch transit main, the section of main was removed and replaced with a small section of C-900 PVC pipe.

Discussion and Appraisal: Most pipes in the water distribution system are new and should not experience breaks as frequently. The water system is made up mainly of asbestos cement and PVC pipe. The District collected asbestos samples in 2007. The laboratory results showed no soluble asbestos cement in the water. The District requested from the Department a waiver for monitoring asbestos in the distribution system during the first and second compliance period, the CDPH recommended that the District sample by the end of the first compliance period (2011-2013) before it can grant a waiver for the remaining compliance cycle.

F. WATER QUALITY AND MONITORING

1. BACTERIOLOGICAL MONITORING

California Code of Regulations, Title 22, Chapter 15, Article 3: Bacteriological Quality

Program Description: The District has four (4) routine sampling sites that the District collects weekly samples. Each sample station has three sample taps that are connected individually to the water main. The sample taps include the primary sample tap along with an upstream and downstream sample tap. Where positive results are found, repeat samples are to be taken from the upstream and downstream sample lines within the sample station's enclosure. The sample station's primary sample tap is flushed for approximately 5 to 10 minutes, and the copper sample tap sterilized with a flame prior to collecting a sample. A chlorine residual sample is also pulled from the same time and recorded.

Bacteriological Sample Siting Plan (BSSP):

Copy received by Department: Yes No Unknown

BSSP acceptable: Yes No Unknown

Date of BSSP: August 25, 2006

Sampler: Rio Linda/Elverta Community Water District Distribution Operators

Approved Laboratories:

Laboratory: BSK Analytical Laboratories

ELAP Certification Number: 2435 Expiration Date: 09/30/2012

Factor controlling sample size: Population Service Connections

Number of samples required: 4 per week Number of samples taken: 4 per week

Raw water sampling frequency: Quarterly during the months of: February, May, August and November

Reports submitted late (after 10th of the month): N/A

MCL violations: N/A

Discussion and Appraisal: There have not been any instances since 2008 where there was a positive hit for Total Coliform or E.coli bacteria. Except for one T.C.(+)/E.coli(-) hit in November 2009. The District currently collects the minimum number of samples required based on both its population and service connection size.

The District had begun monitoring its wells to determine the presence or absence of Total Coliform and E.coli bacteria. In the event a Total coliform positive sample is detected in the distribution system, the District is required to contact the Department and monitor all of its wells per the Ground Water Rule. The District may want to prepare a Trigger Monitoring Plan to avoid sampling all of its wells and only sample active wells that may have influenced the Total Coliform positive result.

2. CHEMICAL MONITORING

California Code of Regulations, Title 22, Chapter 15, Articles 4 through 17 inclusive: Inorganic Chemicals, Radioactivity, Organic Chemicals, Secondary Drinking Water Standards, et al.

Program Description: The District contracts its water quality testing with BSK Analytical Laboratories to analyze its raw well water for Title 22 Constituents. Monitoring frequencies follow State Regulations. District staff collect its raw water samples from the designated raw water sample tap, a stainless steel tube. The tap is allowed to flush to waste for a few minutes, then sterilized with a blow torch before the sample is collected.

Sampler: District staff

Approved Laboratories:

Laboratory: BSK Associates

ELAP Certification Number: 1180

Expiration Date: April 30, 2012

Discussion and Appraisal: Raw water sample taps are exposed to the elements at each site. Although the District's sterilizing and sampling procedure seems adequate, the District may plan to keep sample taps locked between sampling periods for additional security. The District has also requested reduced monitoring frequencies at its active wells, the Department responded with a letter dated December 2, 2011 granting waivers that meet the State Regulations for the constituents requested.

a. Inorganic Chemicals

Table 12 – Inorganic Chemical Monitoring Summary

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 3						Inactive
Well 4	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 5						Inactive
Well 6	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 7	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 8A	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 9	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 10	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 11	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 12	Triennial	Cyanide & Asbestos	6/10/2008	7/10/2012	None	
Well 14						Inactive
Well 15	Initial	None				Pending

Discussion and Appraisal: The only inorganic that could be a concern problem for the water system is arsenic, two wells have been taken offline (Wells 3 and Well 5) due to elevated concentrations and of the District's nine (9) remaining active wells, there are four that have average arsenic concentrations above 1/2 the MCL (Well 7, 9, 12 and 2A), see Figure 4 below.

Total Chromium has only been detected at low concentrations at all wells, the highest total chromium concentrations were found in Wells 4, 8A, 10 and 11, see Figure 5 below. Based on historical data, all or most of the total chromium detected is in the form of Hexavalent Chromium (Chrom-6) which currently does not have an MCL. The MCL of Total Chromium is 50-ppb. The District plans to schedule chromium monitoring once every three years.

All other inorganics have low to non-detectable concentrations and the District has requested to waive all other inorganic monitoring during the first and second compliance period with samplings scheduled for July 2017, however the CDPH recommended that samples be collected during the first compliance

period, by July 2012. The District has also requested to waive the monitoring for Asbestos and Cyanide indefinitely. CDPH cannot grant an indefinite waiver for an inorganic, it may only grant a waiver for the duration of the compliancy cycle (9 years), with the recommendation that one sample per source be collected during the first compliancy period (2011-2013).

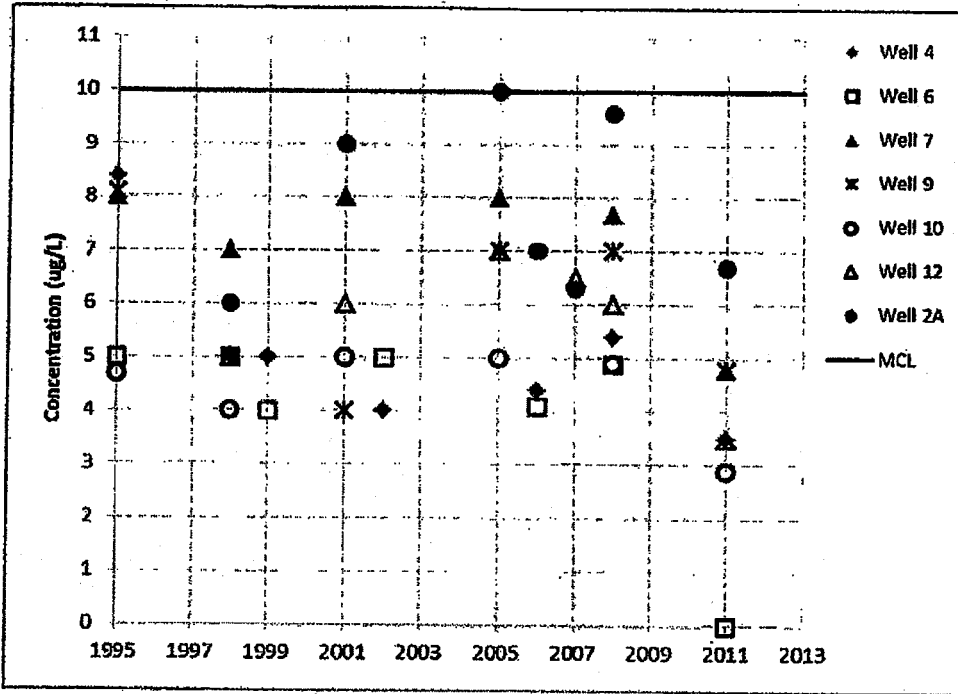


Figure 4 - Arsenic trends

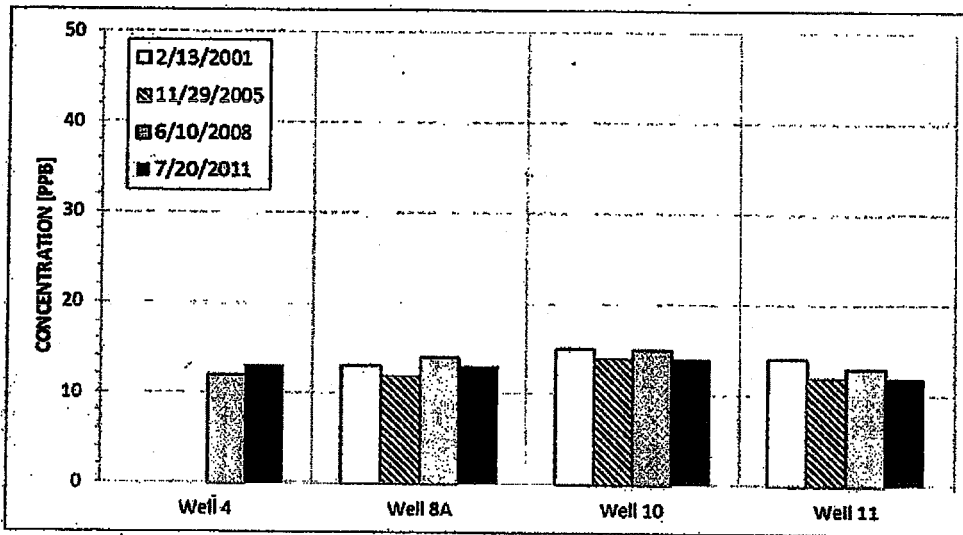


Figure 5 - Total Chromium trends

b. Secondary Drinking Water Standards

Table 13 - Secondary Drinking Water Standards Monitoring Summary

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 3						Inactive
Well 4	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 5						Inactive
Well 6	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 7	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 8A	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 9	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 10	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 11	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 12	Triennial	9 years*	6/10/2008	7/10/2012	None	
Well 14						Inactive
Well 15	Initial		---	---	---	Pending

*waiver applies to all constituents listed under Table 64449-A except for iron, manganese and Thiobencarb

Discussion and Appraisal: The District has no problems with complying with the secondary standards. No wells have concentrations that are close to the MCL. The District has requested a waiver for the first and second compliance period and sample during July 2012, except for iron, manganese and Thiobencarb. Iron, manganese and Thiobencarb will be sampled every three years due to these constituents being in the area's groundwater. CDPH recommends that the District sample during the first compliance period rather than the third compliance period of the compliance cycle. The District has updated its monitoring plan to sample in July 2012.

c. Nitrates/Nitrites

Table 14 - Nitrates Chemical Monitoring Summary

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	Annually	None	7/20/2011	7/20/2012	None	
Well 3						Inactive
Well 4	Annually	None	7/20/2011	7/20/2012	None	
Well 5						Inactive
Well 6	Annually	None	7/20/2011	7/20/2012	None	
Well 7	Annually	None	7/20/2011	7/20/2012	None	
Well 8A	Annually	None	7/20/2011	7/20/2012	None	
Well 9	Annually	None	7/20/2011	7/20/2012	None	
Well 10	Annually	None	7/20/2011	7/20/2012	None	
Well 11	Annually	None	7/20/2011	7/20/2012	None	
Well 12	Annually	None	7/20/2011	7/20/2012	None	
Well 14			11/20/2007			Inactive
Well 15	Initial	None	---	---	---	Pending

Table 15 - Nitrite Chemical Monitoring Summary

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	Triennial	None	11/15/2011	7/10/2014	None	
Well 3						Inactive
Well 4	Triennial	None	11/15/2011	7/10/2014	None	
Well 5						Inactive
Well 6	Triennial	None	11/15/2011	7/10/2014	None	
Well 7	Triennial	None	11/15/2011	7/10/2014	None	
Well 8A	Triennial	None	11/15/2011	7/10/2014	None	
Well 9	Triennial	None	11/15/2011	7/10/2014	None	
Well 10	Triennial	None	11/15/2011	7/10/2014	None	
Well 11	Triennial	None	11/15/2011	7/10/2014	None	
Well 12	Triennial	None	11/15/2011	7/10/2014	None	
Well 14			7/05/2007			Inactive
Well 15	Initial	None	---	---	---	Pending

Discussion and Appraisal: Historically all of RLECWD wells have had very low concentrations of nitrates (NO₃). According to the State regulations a water system is required to monitor each groundwater source at least annually, and routinely monitor each well during the same quarter of every year. Historically, the District has had cases where samples would not be collected during the same quarter of every following year. The initial sample was collected during the first quarter of the year. And most of the samples collected have returned to collecting samples during the first quarter of the year. The latest round of samples was collected during the third and fourth quarter of the month. According to the District the latest round of nitrite monitoring was missed during the second quarter and collected on November 11, 2011. The District has proposed to monitor its next round of nitrate and nitrite samples during the month of July.

d. Regulated Volatile Organic Chemicals (VOC)

Table 16 - Regulated VOCs Monitoring Summary

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	Triennial	3 years	10/5/2009	10/5/2012	None	
Well 3						Inactive
Well 4	Annually	None	7/20/2011	7/20/2012	None	Sentry-VOC
Well 5						Inactive
Well 6	Triennial	3 years	10/5/2009	10/5/2012	None	
Well 7	Triennial	3 years	10/5/2009	10/5/2012	None	
Well 8A	Annually	None	7/20/2011	7/20/2012	None	Sentry-VOC
Well 9	Triennial	3 years	10/5/2009	10/5/2012	None	
Well 10	Triennial	3 years	10/5/2009	10/5/2012	None	
Well 11	Annually	None	7/20/2011	7/20/2012	None	Sentry-VOC
Well 12	Triennial	3 years	10/5/2009	10/5/2012	None	
Well 14			7/5/2007			Inactive
Well 15	Initial	None	---	---	---	Pending

NOTE: VOC/SOC MCL compliance based on quarterly running annual average per 22CCR64445.1(c)(5)(B)

Discussion and Appraisal: The water sources at this point do not appear to be at risk of volatile organic chemicals pollution. Previously issued waivers for VOC monitoring are no longer valid for the new compliance cycle. The District has requested that VOCs be sampled in the second compliance period, scheduled for July 2014, and a waiver requested for the third compliance period. CDPH may only be grant waivers at most for three years, during a compliance period. Wells that have sampled in 2011 are waived for the rest of the compliance period, but wells not sampled back in 2009 need to be sampled by 2012.

The District has chosen Wells 4, 8A and 11 to be Sentry Wells for VOCs since they border the former McClellan Air Force Base, which there have been known VOC groundwater plumes on site. These sentry wells will be sampling for VOC constituents at a higher frequency than its other wells, at least annually to identify any VOC that may migrate into the District's groundwater.

e. Regulated Synthetic Organic Chemicals (SOC)

Table 17 - Regulated SOC's Monitoring Schedule

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	Triennial	3 years	10/19/2009	10/19/2012	None	
Well 3						Inactive
Well 4	Triennial	3 years	7/20/2011	7/20/2014	None	
Well 5						Inactive
Well 6	Triennial	3 years	7/20/2011	7/20/2014	None	
Well 7	Triennial	3 years	7/20/2011	7/20/2014	None	
Well 8A	Triennial	3 years	7/20/2011	7/20/2014	None	
Well 9	Triennial	3 years*	7/20/2011	7/20/2014	None	Sentry Well
Well 10	Triennial	3 years*	7/20/2011	7/20/2014	None	Sentry Well
Well 11	Triennial	3 years	7/20/2011	7/20/2014	None	
Well 12	Triennial	3 years	7/20/2011	7/20/2014	None	
Well 14						Inactive
Well 15	Initial	None	---	---	---	Pending

*constituents listed under Table 64444-A shall be waived except for Molinate and Thiobencarb

NOTE: VOC/SOC MCL compliance based on quarterly running annual average per 22CCR64445.1(c)(5)(B)

Discussion and Appraisal: Based on the District's 2011-2019 Water Quality Monitoring Plan, the District has chosen Wells 9 and 10 as Sentry Wells for two SOC constituents: Molinate and Thiobencarb. Molinate and Thiobencarb are pesticides that may have been used on nearby rice fields; to identify if these chemicals migrate into the District's groundwater, monitoring will be annually during the month of July. The District has requested to waive SOC monitoring during the first and second compliance period, the CDPH may only be grant waivers at most for one compliance period (3 years) with two quarterly samples collected in a year during the compliance period.

f. Radiological

Table 18 - Radiological Monitoring Summary

Source	Frequency	Waivers	Last Monitoring Date	Next Monitoring Date	MCL Violations	Comments
Well 2A	9 years	None	12/6/2007	7/10/2016	None	
Well 3	---		6/25/2008			Inactive
Well 4	9 years	None	12/6/2007	7/10/2016	None	
Well 5						Inactive
Well 6	9 years	None	12/6/2007	7/10/2016	None	
Well 7	9 years	None	12/6/2007	7/10/2016	None	

Well 8A	9 years	None	12/6/2007	7/10/2016	None	
Well 9	9 years	None	12/6/2007	7/10/2016	None	
Well 10	9 years	None	12/6/2007	7/10/2016	None	
Well 11	9 years	None	12/6/2007	7/10/2016	None	
Well 12	9 years	None	12/6/2007	7/10/2016	None	
Well 14						Inactive
Well 15	Initial	None	---	---	---	Pending

Discussion and Appraisal: The District collected initial monitoring samples in 2004, and samples during 2007, for Radium-226, 228 and Uranium. According to the four consecutive quarters that were collected during 2007 for Uranium, Radium-226 and Radium-28, for all active wells radionuclide levels are very low and are granted reduced monitoring to one sample being collected every nine (9) years. The next round of samples does not need to be collected until 2016; the District has updated its monitoring plan to collect the next round of radionuclide samples during July 2016. Well 15 which was recently drilled and expected to be online by 2012 will need to complete initial monitoring within the first year that it is operational.

g. Other Chemical Monitoring Requirements

Discussion and Appraisal: Perchlorate is an inorganic chemical that was recently adopted to the State list of inorganic chemicals. The District has completed initial monitoring for perchlorate with grandfathered data from 2003, with all samples reporting "non-detect". The District has requested for a waiver to monitor perchlorate during the first and second compliance periods, it plans to sample its next round of perchlorate monitoring in its wells by July 2017. CDPH may only grant reduced monitoring to once every compliance period, the next round of perchlorate monitoring shall be completed by August 2013.

3. DISINFECTION BYPRODUCTS RULE

a. Stage 1 D/DBP Rule

Program Description: Due to the District being reliant on groundwater sources with a permanent population greater than 10,000 people, and with a history of low concentrations of total trihalomethanes (TTHMs) and five haloacetic acids (HAA5s) the District requested to collect four samples annually, during the month of warmest temperature, August. DDBP Sample sites are the same locations used for bacteriological analysis. Chlorine residuals are collected at the same time bacteriological samples are collected.

Sampling Plan:

Copy received by Department: Yes No Unknown
 Sampling plan acceptable: Yes No Unknown
 Plan Date: March 3, 2004

Number of samples required: 4 per year Number of samples taken: 4 per year

MCL violations: None

Table 19 – Disinfection Byproducts quarterly sample results.

Quarter	TTHM		HAA5		Avg. Cl2 residual
	Average Result (ppb)	RAA (ppb)	Average Result (ppb)	RAA (ppb)	
1Q 2006	0.8		0		0.36
2Q 2006	0.13		0		0.33
3Q 2006	0		0		0.35
4Q 2006	0.68	0.4	0	0	0.38
1Q 2007	0.13	0.24	0	0	0.42
2Q 2007	0	0.20	0	0	0.38
3Q 2007	0	0.20	0	0	0.36
4Q 2007	0	0.03	0	0	0.50
1Q 2008	0.13	0.03	0	0	0.55
2Q 2008	0	0.03	0	0	0.53

3Q 2008	0	0.03	0	0	0.53
4Q 2008	0	0.03	0	0	0.58
1Q 2009	0	0	0	0	0.42
2Q 2009	0	0	0	0	0.44
3Q 2009	N/A	0	N/A	0	0.43
4Q 2009	0	0	0	0	0.53
1Q 2010	0	0	0	0	0.73
2Q 2010	0	0	0	0	0.75
3Q 2010		0		0	0.72
4Q 2010		0		0	0.80
1Q 2011		0		0	0.80
2Q 2011		N/A		N/A	0.76
3Q 2011	0	0	0	0	0.58

Discussion and Appraisal: The Districts quarterly monitoring has shown to have no detections of TTHMs or HAA5s at its designated sites since 2008, because of this the District requested to reduce sampling of the four sites annually, during the month of August. The last sample collected in 2010 was during the month of June. Although the District proposed to collect its 2011 sample during August, it was instead sampled in July. The District should make sure staff is aware of the monitoring frequencies proposed in its 2011-2019 Water Quality Monitoring Plan (WQMP).

The average chlorine residual trend in the system can be followed in Figure 6. Under Compliance Order No. 01-09-07-CO-004, Directive 1, the District shall maintain a disinfectant residual not less than 0.5-mg/L at the entry point in the distribution system and not less than 0.2-mg/L in the distribution system. For the past seven (7) years the water system has increased the average chlorine residual in the distribution system. The MCL for chlorine is 4.0 mg/L, which the District is not at risk of exceeding. According to 2010 and 2011 Well logs the District maintains a chlorine dose at each of its wells between 0.7 – 1.0 mg/L.

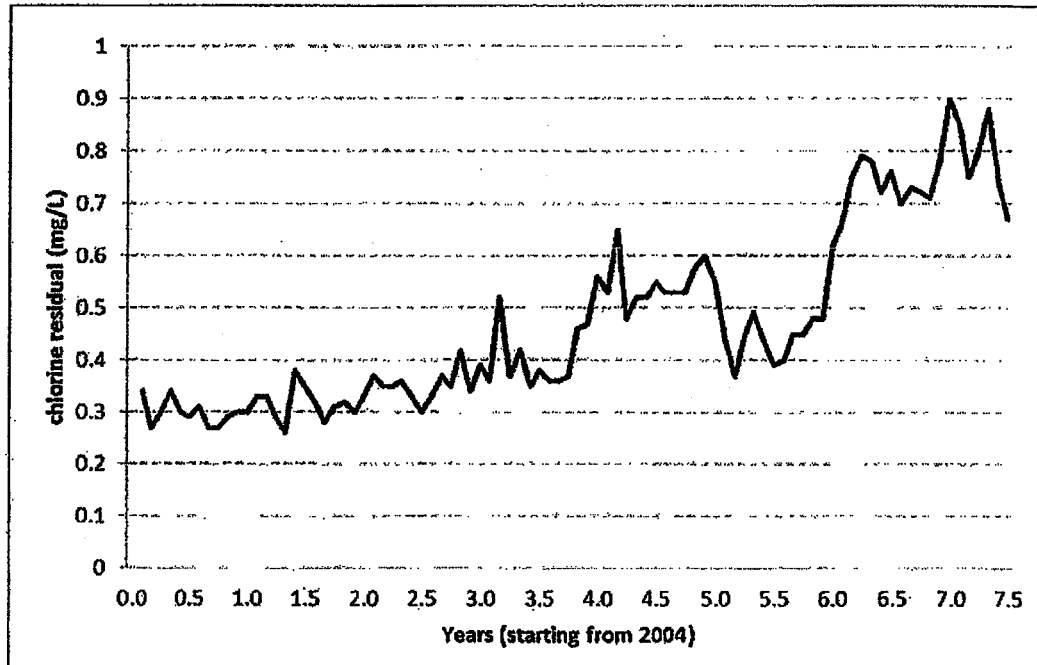


Figure 6 - Average monthly chlorine residual in the distribution system

b. Stage 2 D/DBP Rule

Schedule: 3

Consecutive Systems: N/A

Discussion and Appraisal: The District was able to receive a 40/30 certification letter for their very low and near-detectable levels of disinfection by-products.

4. LEAD AND COPPER RULE

California Code of Regulations, Title 22, Chapter 17.5: Lead and Copper

Program Description: The District has a list of houses that are asked to provide a tap water sample in bottles that they provide. Samples are to be collected after the water has been allowed to run for a short while to avoid any stagnant water from skewing the results. The District is now on a reduced scheduled to sample its taps every three years, and from 30 sites within the distribution system.

Lead and Copper Sampling Plan:

Copy received by Department: Yes No Unknown

Sampling plan acceptable: Yes No Unknown

Plan Date: May 20, 2010

Number of samples required: 30 **Number of samples taken:** 30

AL Exceedances: None found

Table 20 - Lead and Copper monitoring summary

Round	Date	No. Samples	90% Lead (ppb)	90% Copper (ppb)
1	12/01/1992	60	1.6	180
2	03/01/1993	60	1.2	160
3	07/26/1994	30	ND	140
4	06/19/1997	30	ND	160
5	06/20/1998	30	ND	170
6	06/20/1999	30	ND	150
7	07/03/2002	30	ND	120
8	08/24/2005	30	ND	130
9	08/24/2008	30	2.5	130
10	8/1/2011	30	ND	89

Discussion and Appraisal: Under the Lead and Copper Rule the District is considered a Medium-size water system because the population of the District is within the range of 3,300 and 50,000. Based on historic data the District has shown very little lead and copper leaching to customers taps. According to State Regulations, the District can be placed on a reduced tap monitoring schedule that would require tap monitoring samples to be collected once every three years. Due to its population range being between 10,001 and 100,000, the District is required to collect a minimum of 30 samples at different sites within the distribution system, under a reduced sample schedule of once every three years. The last round of monitoring was completed in August 2011. The District did not submit to the Department the 2008 tap monitoring results on time. A citation was issued to the District in May 2010 to submit many water quality reports that were not submitted to CDPH.

5. CONSUMER CONFIDENCE REPORT

California Code of Regulations, Title 22, Chapter 15, Article 20: Consumer Confidence Report

Send Date/Anticipated Send Date: May 2011

Copy received by Department: Yes No Unknown

Certification received by Department: Yes No Unknown

Report contents acceptable: Yes No Unknown

Discussion and Appraisal: Consumer confidence reports were completed with the 2011 certification form received by the Department.

G. OPERATION AND MAINTENANCE

1. OPERATOR CERTIFICATION

California Code of Regulations, Title 22, Chapter 13: Operator Certification

a. Distribution operator certification requirements:

Chief Operator: D3
 Shift Operator: D2

Table 21 - Certified distribution operators

Operator's Name - Certification Number	Treatment Operator's Grade and Number (Expiration)	Distribution Operator's Grade and Number (Expiration)	Comments
Mary Henrici	T2 - 13581 (03/01/2013)	D2 - 16186 (12/01/2012)	
Patrick M. Goyet	T2 - 21375 (05/01/2013)	D3 - 8517 (03/01/2012)	
Vincent A. Vigallon		D2 - 31782 (05/01/2013)	
Christopher B. Bell		D2 - 36912 (10/01/2012)	

NOTE: Expiration dates were verified at the CDHS Operator Certification website.
<http://www.dhs.ca.gov/ps/ddwem/technical/certification/opcert.html>

Discussion and Appraisal: The District mentioned that it has lost a number of certified operators in its staff and the District had a frequent turnaround of temporary General Managers. The General Manager hired at the time of the inspection was Ms. Mary Henrici. The District's Citation issued May 10, 2010, directed to District to conduct an analysis of the adequacy of staffing and has not been submitted to the Department. At the time of the inspection the operation of the water system has improved with the leadership of Mary Henrici. The District has since submitted monthly summary reports on time and operation of the water system and has appeared smoothly. With the assistance of a SCADA system the District appears to be managed well.

2. CROSS-CONNECTION CONTROL PROGRAM

Program Description: The District prepared an updated CCCP on October 1st, 2010 for the purpose of protecting the District's potable water supply against actual or potential contamination through cross-connections or backflow and identify unknown cross connections. This program is incorporated within the District's updated Operations and Maintenance Plan. Backflow prevention devices are scheduled to be tested annually and immediately after installation.

Cross-connection control program coordinator: Patrick M. Goyet

Certification Number: AWWA 1279

Cross-connection control ordinance:

Ordinance Date: April 13, 2010

Copy received by Department: Yes No Unknown

Ordinance Acceptable: Yes No Unknown

Date of last cross-connection control survey: January 2006

Table 22 - Cross Connection Program Results for 2008

Device Type and Location	Total # of devices	Installed In 2008	Tested in 2008	Failed in 2008	Repaired or Replaced
BPA at the meter	495	30	495	13	13
BPA on site in lieu of at the meter	0	0	0	0	0
Air-gap	0	0			

Table 23 - Cross Connection Program Results in 2009

Device Type and location	Total # of devices	Installed in 2009	Tested in 2009	Failed in 2009	Repaired or Replaced
BPA at the meter	495	0	0	?	0
BPA on site in lieu of at the meter	0	0	0	0	0
Air-gap	0	0			

Table 24 - Cross Connection Program Results in 2010

Device Type and location	Total # of devices	Installed in 2010	Tested in 2010	Failed in 2010	Repaired or Replaced
BPA at the meter	496	0	489	?	0
BPA on site in lieu of at the meter	0	0	0	0	0
Air-gap	0	0			

Discussion and Appraisal: Due to the change in staff and general managers, the District has failed to test its backflow prevention devices in the distribution system in 2009. This violation was covered in the Citation issued to the District on May 10, 2010. The District was directed to provide a CCCP and submit a copy to CDPH, which it has done. The updated CCCP is acceptable. According to the District's 2010 Electronic Annual Report submittal, Patrick Goyet, designated CCCP Coordinator, certification number had expired. This should be resolved as soon as possible.

3. CUSTOMER COMPLAINT PROGRAM

Program Description: Customers who need to report any water quality or water pressure concerns, would call the District office and report their complaint. The office would record the complaints in the Customer Service Billing System and generate a work order to pass on to staff who would investigate the complaint. Work orders are placed in the Lead Operator's inbox to prioritize work orders relative to work load. If complaints are unrelated to water quality or service issue (example being a high bill complaint), office staff will attempt to resolve the complaint and close the work order. Response to most complaints is flushing the water lines, removing any stagnant water in dead end areas. Further details provided in O&M Program, Volume 5 – Customer Service.

Table 25 - Summary of 2008, 2009 and 2010 customer complaints

Type	2008 Number	2009 Number	2010 Number	Comments
Taste and Odor	1	1	6	Usually related to chlorine smell in the water. Chlorine residual levels are investigated and responded to by flushing.
Color	0	0	0	No comments
Turbidity	3	1	8	
Worms and Other Visible Organisms	0	0	0	None reported
Pressure	25	7	16	Low pressure complains are due to lack of source supply during peak demand periods.
Illness	0	0	0	None reported.
Other	0	0	0	None reported.
Total	29	9	30	

Discussion and Appraisal: In 2008, the District experienced a few more complaints on water pressure. Water complaints from customers usually involves the smell of chlorine, turbidity complaints in 2008 was due to sanding, the District flushed the surrounding area of the customers home to correct the problem.

In 2009, the District experienced fewer complaints; pressure complaints was determined to be the result of lowered source capacity and meters with small amounts of sand deposits. The District had meters replaced and water mains flushed to increase flow to customers. Taste and odor complaints were resolved by flushing dead ends in the system.

In 2010, the District reported fewer complaints on water pressure, but more complaints on taste and odors. Customers complained about chlorine odor in their water, but staff evaluated the treated water and found it to be within dosage levels. Many of the pressure complaints experienced were due to customer plumbing issues.

4. EMERGENCY RESPONSE PROGRAM

a. Emergency Notification Plan (ENP):

Plan Date: July 19, 2011

Copy received by Department: Yes No Unknown

ENP Acceptable: Yes No Unknown

b. Emergency Response Plan (ERP):

Plan Date: November 1, 2011

Copy received by Department: Yes No Unknown

ERP Acceptable: Yes No Unknown

Discussion and Appraisal: The Emergency Notification Plan was asked to be updated by the Department when it was noticed that there were too many General Managers leaving and out of date. At the time of the inspection the latest ENP was dated 7/19/2011 and includes the current General Manager.

5. WATER MAIN DISINFECTION PROGRAM

Program Description: The District disinfects its water mains using AWWA Standards

Compliance with AWWA standards: Yes No Unknown

Discussion and Appraisal: No comments.

6. VALVE MAINTENANCE PROGRAM

Program Description: The District has prepared a Valve Exercise Program that follows AWWA's and valve manufactures' recommendations, the plan was submitted in April 2011. The district will exercise its entire distribution system valves once every three years. The program consists of 12 areas where the valves will be exercised. There is a map for each area that identifies the valves that require exercising over a 3 month period. Operators will mark on maps which valves were exercised, after all valves have been exercised the operations supervisor shall file and archive the map.

Approximate number of valves: 802

Adequacy of valve locations: Unknown

Valve exercising frequency: Once every three years.

Discussion and Appraisal: The new program is acceptable. No valves were exercised as part of a maintenance program in 2009 and 2010. The valve exercising program has started in the Fall of 2011.

7. DISTRIBUTION SYSTEM FLUSHING PROGRAM

Program Description: The District has prepared a flushing program which is included in its Operations and Maintenance Program, the plan was submitted in April 2011. There are three types of flushing used as part of the program: spot flushing, stagnant area flushing and system-wide flushing.

Approximate number of dead ends: 85

Percent with flushing valves: 81% (69 with blow-offs)

Flushing frequency: Stagnant and spot flushing as required with unidirectional flushing performed for each water main every 3 years.

Discussion and Appraisal: The new program is acceptable. In 2009 and 2010 only spot flushing was performed in response to leaks with no routine flushing performed. In 2008, the District managed to flush 81 of their 85 dead ends. The unidirectional flushing program was started in Fall 2011 with every main to be flushed every three years.

H. OVERALL SYSTEM APPRAISAL

The Rio Linda/Elverta Water District service area is located to the Northwest area of the unincorporated area of Sacramento County, Northwest of McClellan Air Force Base. The service area is relatively flat, ranging from about 35 to 90 feet above mean sea level (MSL). Most of the service area services are single family residences; however, there are several apartment complexes and commercial businesses. The 2010 Annual Report indicates the system serves a permanent population of 13,386 people and consists of 4,616 service connections, of which 152 were commercial and 4 were industrial connections. The number of inactive service connections has been found to increase over the last few years, starting in 2006.

The District water system appears to be in good condition, the District is currently working on adding three new water wells to address its inadequate source water capacity. Additionally, the District is in the process of reactivating its Well 3 and has installed a 16-inch water line near Well 15 that will enable the District to better utilize its SSWD interconnection until the three new wells come on line. The District has implemented water conservation measures to reduce customer water use. The District continues to be under two Compliance Orders, 01-09-07-CO-004 & 01-09-09-CO-004, which addresses the District's lack of source capacity to meet Peak Hour Demand and directs the District to construct three new wells, respectively. Due to the frequent change of general managers, the CDPH issued Citation No. 01-09-10-CIT-003 after the District failed to submit monthly and annual reports to the Department that directed the District to prepare a Operations and Maintenance Plan. The Operations and Maintenance Plan was completed by June 1, 2011 and it has been reviewed and approved by CDPH.

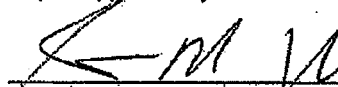
I. APPENDICES

Appendix A	Compliance Inspection Findings
Appendix B	Distribution System Classification
Appendix C	Interim System Support Agreement between SSWD & RLECWD

Report prepared by:


Salvador Turrubiartes
Sanitary Engineer

Report approved by:


Roxanne Cargill, P.E.
Sacramento District Engineer
Drinking Water Field Operations

2011 COMPLIANCE INSPECTION FINDINGS

System Name: Rio Linda Elverta Community Service District System Number: 3410018

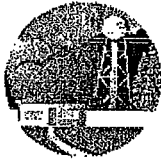
ITEM	Description of Defect or Hazard	Order	Response Deadline	Date Corrected or Completed
FACILITIES				
1	Permit Status: Well 7 and 10 permit is still pending from CDPH	B		
2	Source Capacity: Existing source capacity is inadequate to meet MDD and PHD, additional source capacity is needed. Three wells are being designed and constructed to meet these deficiencies.	A	6/30/2014	
3	Well 5: Well is disconnected from system and not in use. The District is planning to reclassify the well as a monitoring well.	C	1/10/2012	
4	Well 7: Air Relief line is not inverted "U" shaped, this should be designed to meet Wellhead Standards.	C	1/10/2012	
5	Well 10: extensive damage (cracking) to well pedestal was observed. The concrete should be repaired	B	1/10/2012	
6	Well 11: chlorine injection tap was found leaking and corroded, this should be fixed.	B	12/10/2011	
7	Well 11: half of well pedestal rests on top of a concrete pad, this should be fixed the next time the pump is pulled so that the well may conform to DWR's well standards.	C	As time and resources allow	
8	Wellhead Disinfection: chlorine drums are not labeled to identify contents.	B	1/1/2012	
9	Raw Water Sample Taps: sample taps are exposed to the elements, the District may want to enclose the sample taps and keep them locked between sampling periods for additional security.	E	As time and resources allow	
10	Eye Wash Stations: The District shall contact the Cal/OSHA for guidance on the installation of eye wash stations at each of its active wells.	B	6/1/2012	
MONITORING				
11	Pressure Zones: Continue monitoring pressures at locations approved by the Department.	A	ONGOING	
12	Ground Water Rule - Trigger Monitoring Plan: the District shall prepare a Trigger Monitoring Plan that distinguishes which wells would be sampled in the event of Total Coliform positive sample detected in the distribution system and submit it to CDPH for review and approval.	B	3/10/2012	
13	Lead and Copper Rule: copies of the 2011 tap monitoring round shall be submitted to CDPH	D	12/10/2011	11/9/2011
OPERATIONS				
14	Oil Lubrication: copies of the Districts purchase order for oil to lubricate wells should be provided to CDPH to determine if oil is NSF approved.	A	12/10/2011	11/30/2011
15	Materials Safety and Data Sheets: copies of MSDS sheets should be provided at each well site that disinfects its wells for staff safety.	E	1/1/2012	
16	Consumer Confidence Reports: copies of CCRs and Certification Forms shall be submitted to CDPH	D	12/10/2011	11/9/2011
17	Consumer Confidence Report: copy of the 2011 CCR and Certification Form shall be submitted to CDPH,	D	12/10/2011	11/9/2011

18	Cross Connection Control Program: A certified operator should be designated as the CCCP Coordinator.	D	As time and resources allow	
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Order of Hazard:

- A. Critical Health Hazard - Action must be taken immediately.
- B. Serious Health Hazard - Action must be taken as soon as possible.
- C. Potential Health Hazard - Must be corrected as work load permits.
- D. System or operational defect resulting in poor waterworks practice.
- E. Other Deficiency - Nonhazardous.

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT



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January 16, 2012

California Department of Health Services
1616 Capital Mall MS-7407
Sacramento, Ca. 95899
ATTN: Salvador Turrubiartes

Dear Mr. Turrubiartes,

I would like to apologize for not making your response deadline of January 10, 2012 for some of the items mentioned in your report. The report was not received by this office until January 9, 2012 so it was impossible to get our response to you in a timely manner.

Below is our response to your compliance report findings.

1. The District is still awaiting the permits from CDPH for wells 7 and 10.
2. The District is continuing with the construction of Well 15 and still awaiting environmental approval from CDPH for Well 14.
3. The District would like to formally request that Well #5 be reclassified as a monitoring well. Please provide me with any necessary paperwork in order to fulfill this request.
4. Well 7, air relief line has been redesigned into an inverted "U" per your request.
5. Well 10, pedestal will be repaired the next time the pump is pulled per our previous discussion.
6. Well 11, the chlorine injection tap has been repaired.

DIRECTORS:

Courtney Caron / President
Frank Caron / Vice President
Cathy Nelson-Hood
Vivien Spicer-Johnson

GENERAL MANAGER / SECRETARY:

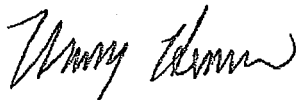
MARY HENRICI

7. Well 11, the pedestal will be repaired the next time the pump is pulled per our discussion.
8. All chlorine drums are now labeled with manufacturer information.
9. The District will look into better ways to secure water sampling taps.
10. The District has contacted a safety equipment supplier regarding eyewash stations and will contact Osha regarding specifications required for the installation of these stations. It is not a budgeted item this year to install these stations but will be included in the next year's budget.
11. The District is continuing to monitor the pressure zones.
12. The District will prepare a trigger monitoring plan by 3/10/12 for submittal to CDPH.
13. Lead and Copper rule testing has been submitted.
14. Oil purchase orders have been submitted to CDPH.
15. MSDS for chlorine are at all well sites.
16. CCR and certification form have been submitted.
17. CCR and certification for 2011 have been submitted.
18. Cross Connection Control Program Coordinator. When budget allows we will have Mr. Goyet's certification for Cross Connection Control Specialist updated.

The staffing concern noted in the main body of the document is already being analyzed. We will hopefully have some information on this item shortly. When it is available we will submit it to your agency.

If you need additional information regarding the above noted items please feel free to contact me at anytime.

Sincerely,



Mary Henrici
General Manager
Rio Linda/Elverta CWD