

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Years Ended June 30, 2017 and 2016

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

**1633 Garden Highway
Sacramento, California 95833
Tel: (916) 922-1449**

Years Ended June 30, 2017 and 2016

**BOARD OF TRUSTEES
Elected Officials**

Trustees	Four-Year Term Expires
David Christophel, President	December 1, 2017
Tom Barandas, Vice-President	December 1, 2019
Thomas M. Gilbert, Trustee	December 1, 2017
Nick Avdis, Trustee	December 1, 2017
Deborah G. Jones, Trustee	December 1, 2017
Jerome Smith, Trustee	December 1, 2019
Frederick Harris, Trustee	December 1, 2019

DISTRICT MANAGEMENT

**General Manager
District Secretary**

**Paul Devereux
Terrie Figueroa**

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Reclamation District 1000, California
Sacramento, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reclamation District No. 1000, California, (the District) as of June 30, 2017 and 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reclamation District No. 1000, California as of June 30, 2017 and 2016, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed for special districts by the Office of the California State Controller.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-13, the Schedule of the District's Net Proportionate Share of the Net Pension Liability on page 45, the Schedule of the District's Contributions on page 46, and the respective budgetary comparisons for the governmental fund on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

WALNUT CREEK, CALIFORNIA
March 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

Our discussion and analysis of Reclamation District No. 1000, California (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

- At the end of the year, the District's net position is \$52.6 million, of which \$44.6 million is invested in capital assets and \$8.0 million is unrestricted.
- As of June 30, 2017, the District's General Fund reported a total fund balance of \$7.93 million, of which \$7.4 million has been assigned or committed by the Board and \$514 thousand has been legally restricted.
- The District's capital asset balances were \$44.6 million at year-end, decreasing slightly due to \$364 thousand in capital additions offset by \$1.3 million in depreciation.
- The District has no long-term debt.

CAPITAL PROJECTS

- ***Pumping Plant No. 2 Reconstruction***

During the 2006 flood emergency declaration, the District initiated flood emergency operations including removal of Pumping Plant No. 2 to prevent a levee failure due to underseepage concerns. Following the disaster, FEMA determined the costs for replacement of the pumping plant to be eligible for reimbursement through a FEMA Disaster Assistance Grant. The amount of the grant has been adjusted several times since its initial approval and currently the approved amount is \$7,400,000 based on actual costs to date. This project was funded primarily by the FEMA disaster assistance grant with SAFCA funding associated canal, levee and other ancillary improvements not eligible for reimbursement under the FEMA grant as part of their Natomas Levee Improvement Project.

In 2016, the District submitted a Project Close-Out and requested reimbursement of an additional \$594,808 based on actual costs and work the District believes are eligible under the grant. In late 2017, FEMA indicated a revised Project Worksheet and estimate including most of the additional costs claimed by the District will be sent to the State and District in 2018 and the project formally closed out. The 10% retention being held by FEMA cannot be released until Project Close-Out.

- ***District Corp Yard Improvements***

The District completed construction of a small addition to the office building at their Corporation Yard on Elkhorn Blvd., which will serve as a Flood Operations Center and support the District's field operations.. A portion of the existing parking lot was paved

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

to facilitate access, especially during flood operations. The District has developed a master plan for the Corporation Yard including the additional acreage purchased last year from SAFCA to improve its operations and provide a storage location for additional flood emergency response materials. Cost of shop expansion in FY 2016-17 was \$76,880.

- ***Supervisory Control and Data Acquisition System (SCADA)***

The District Board of Trustees adopted the SCADA (Supervisory Control and Data Acquisition) Master Plan on April 14, 2017. They authorized a contract amendment with the Master Plan consultant to prepare design documents for implementing Phase 1 of the Master Plan to allow remote monitoring of pump plant operations, power supply and canal levels. Eventually, the SCADA system can be expanded to allow for remote operations of its pumping plants, as well as be expandable to allow for security monitoring in the future. A portion of the costs for the planning and initial implementation will be reimbursed through a Bureau of Reclamation federal grant being implemented through an agreement with the Natomas Mutual Water Company. Fifty percent of the consultant costs are eligible for reimbursement through the grant. Consultant costs for SCADA in FY 2016-17 were \$14,230.

- ***Pumping Plant No. 8 Security Fencing***

The District awarded a construction contract for security fencing around Pumping Plant No. 8 to Soto Fence Inc. in May 2016. Construction of the fence was completed in August 2016 and final payment made to the contractor in November 2016. The new security fence reduces the risk of vandalism and wire theft thereby improving the reliability of pump operations, especially during critical flood events. The total cost of the security fence construction in FY 2016-2017 was \$60,079.32.

- ***Significant Capital Projects on District Facilities Undertaken By Others***

The Natomas Levee Improvement Project (NLIP) funded by the Sacramento Area Flood Control Agency (SAFCA) and Natomas Basin Project (Federal Project) funded by the Corps of Engineers with State and SAFCA cost sharing - The goal of the combined levee system improvements protecting the Natomas Basin is to provide at least 200-year flood protection as required by the State's Urban Level of Flood Protection or ULOP standards. Levee improvements and associated works completed to date have been funded through a combination of SAFCA funds (voter approved SAFCA Capital Assessment Districts) and State funds from the Proposition 1E Bond. These funds have been sufficient to complete 50% of the total levee improvements needed to provide the 200-year flood protection between 2006 and 2013. It should be noted the improvements completed to date addressed the highest risk areas based on

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

studies done to date, as well as previous experience during flood events. It is anticipated that the remaining work will be completed by the Corps of Engineers (COE) as part of the the Natomas Basin Project authorized by Congress in the 2014 Water Resources Reform and Development Act (WRRDA). Despite the availability of federal funds, construction has been delayed due to construction contracting issues. No levee construction work was done during FY 16-17. If federal construction funds are appropriated, the remaining work will begin in 2018. Completion of the project is estimated to be approximately six to seven years after construction is initiated. However, this schedule is dependent on annual federal appropriations and the timely acquisition of necessary rights of way and relocations of utilities, which interfere with the levee improvements

Activities on the NLIP and federal Natomas Basin Project during the current fiscal year of 2016-17 included:

- Contracts for the removal of trees within the footprint of the proposed levee improvements and a contract to establish a mitigation site for a portion of the vegetation impacts of the levee construction project
- Design, environmental and right of way activities continued by the COE, State and SAFCA for the federal Natomas Basin Project improvements.

OPERATIONS AND MAINTENANCE

The 2016-2017 flood season was one of the wettest seasons of record. The District experienced significant rainfall which resulted in both high levels in our drainage canals and river levels. As a result, the District's field crews were on 24-hour emergency patrols and pump station operations for almost 35 days in 2017. In addition, the high levels caused damages along some of the levees in the Pleasant Grove area east of our District, but for which we are responsible to operate and maintain. We also had several large erosion/slip sites in our drainage canals all which required emergency measures to stabilize. The extreme precipitation also resulted in extensive pump operations and above average power bills from both SMUD and PG&E.

The federal government made several emergency declarations as a result of the extreme storm events and damages caused. The District has applied for reimbursement for some of our costs due to the extreme events including our emergency patrol labor costs, emergency pumping operations and emergency repairs at a number of sites. At this time, the Federal Emergency Management Agency and California Office of Emergency Services, have preliminarily indicated we are eligible for reimbursement of a portion of our emergency costs. A final determination, approval and obligation of funds is anticipated in 2018.

The District previously assumed full operations and maintenance responsibility for all 21 miles

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

of levee improvements completed to date as part of the NLIP, including the remaining grassland vegetation along the levees. While the levees are improved and significantly reduce the flood risk in the District, they include a much larger footprint to operate and maintain. The District is currently studying options for the most efficient method to maintain the expanded levee footprint and is developing an Annual Operations and Maintenance Plan to determine the resources needed to meet its responsibility.

PLANNING

The District previously adopted a Capital Improvement Program (CIP) which identified a number of projects to be constructed over the next twenty years and identified several funding sources to meet these future funding obligations. The CIP is scheduled to be updated in the next two years.

The District previously adopted the 2015-2020 Reclamation District No. 1000 Strategic Plan, which will assist management and the Board in identifying and prioritizing short term planning and funding goals for the five-year period of the Plan. Several actions identified in the Plan have already been implemented.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Report consists of three parts, Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplemental Information (RSI). The Basic Financial Statements include the Government-wide financial statements and the Fund Financial Statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes the entire District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference representing net position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of the District report on one category, Governmental activities, as the District does not have business-type activities.

Governmental Activities - All of the District's basic services are included here. Assessment revenue and restricted capital project reimbursements finance almost all of the District's flood protection activities.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has one type of fund, the Governmental Fund.

Governmental Fund – All of the District's basic services are included in the Governmental Fund, which focuses on how resources flow in and out. The balance remaining at year-end is available for spending. The governmental fund statements provide a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship between governmental activities and governmental funds through the reconciliations and in the notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the Basic Financial Statements and accompanying notes, this report presents certain required supplementary information (RSI) concerning the District's budget and actual on a budgetary basis, as well as the District's pension plan funding status.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets and deferred outflows of resources less liabilities and deferred inflows of resources equaled \$52.6 million at the close of the most recent fiscal year.

The largest portion of the District's net position (84.8%) reflects its investment in capital assets (e.g. infrastructure, land, buildings, machinery, and equipment) with the majority being levees, canals or pump stations. The District uses these capital assets to provide flood protection services. Consequently, these assets are not available for future spending. There is no related debt associated with the District's investments in its capital assets.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

The District does not have business-type activities to report (See Table 1).

TABLE 1
Condensed Statement of Net Position
June 30, 2017 and 2016
(in thousands)

	2017	2016
Current and other assets	\$ 9,583	\$ 9,596
Capital assets	44,595	45,545
Total assets	<u>54,178</u>	<u>55,141</u>
Deferred outflows of resources - pension	\$ 371	\$ 145
Current and other liabilities	\$ 1,911	\$ 1,662
Deferred inflows of resources - pension	\$ 56	\$ 124
Net position:		
Invested in capital assets, net	\$ 44,595	\$ 45,545
Unrestricted net position	7,987	7,955
Total net position	<u>\$ 52,582</u>	<u>\$ 53,500</u>

Capital Assets, Net of Related Debt

As part of the implementation of GASB Statement No. 34, the District retroactively recognized infrastructure assets not previously required to be recognized. GASB Statement No. 34 requires prospective reporting of infrastructure but allows for retroactive application. The District opted to record infrastructure (predominantly levee improvements) retroactively to 1984, the earliest year in which documentation of historical costs was available.

The 2017 capital additions were:

- Mower: \$199,705; Plant #8 Security Fence: \$61,258; Shop Addition: \$76,880; Trailer \$5,308; Rotary Blade: \$20,482.

The District depreciates capital assets using the straight-line method over the estimated lives of the assets.

There is no associated debt with any capital assets.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

Change in Net Position for Governmental Activities

The following table indicates the changes in net position for the governmental activities:

TABLE 2
Condensed Statement of Activities
Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
Program Revenues:		
Charges for services	\$ 40	\$ 21
Capital Contributions	900	900
General Revenues:		
Assessment revenues	2,249	2,256
Investment earnings	58	28
Miscellaneous income	6	39
Total Revenues	<u>3,253</u>	<u>3,244</u>
Expenses:		
Flood Protection	<u>4,170</u>	<u>3,852</u>
Change in net position	(917)	(608)
Net position, beginning of year	<u>53,500</u>	<u>54,108</u>
Net position, end of year	<u>\$ 52,583</u>	<u>\$ 53,500</u>

The District's net position decreased by \$917,419 during the current fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At fiscal year end, the District's governmental fund reported a combined fund balance of \$7.93 million, a decrease of \$35 thousand from the previous year's fund balance. This decrease is due to current year expenditures exceeding current year revenues. Of the total \$7.93 million fund balances, \$7.4 million has been assigned or committed for specific purposes, \$29 thousand is considered nonspendable, and \$514 thousand is restricted.

Revenues in the District's governmental funds were \$3.3 million. Assessment revenue of \$2.3 million represents 69.6% of revenue for the governmental funds. Expenditures from governmental funds were \$3.34 million, exceeding revenues by \$35,193.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

Fund Balances

The Board has adopted a policy establishing various types of fund balances: Assignments and balances are determined by board action and General Manager discretion based on the type of fund. These individual fund assignments can be unassigned by the Board of Trustees. The emergency flood fight fund has been established by the General Manager and the committed funds by Resolution 2012-6 of the Board of Trustees.

Fund balances as of June 30, 2017 are restricted, nonspendable, assigned or committed as follows:

TABLE 3
Fund Balances
June 30, 2017

<u>Fund Type</u>	<u>Fund Balance</u>
Restricted fund balance	\$ 513,914
Nonspendable fund balance	29,588
Committed fund balance	-
Assigned fund balances:	
Emergency Flood Fight	1,500,000
General capital	3,129,785
Operating reserve	<u>2,752,485</u>
Total assigned fund balances	7,382,270
Unassigned	-
Total fund balances	<u>\$ 7,925,772</u>

GENERAL BUDGETARY HIGHLIGHTS

The following is a summary of current year budget and actual results for the District's General Fund revenues and other financing sources for the year ended June 30, 2017:

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

TABLE 4
Fund Revenues - Budget to Actual Comparisons

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Assessments	\$ 2,248,065	\$ 2,305,211	\$ 57,146
Rents, easements, and fees for services	41,371	39,871	(1,500)
Interest	13,000	57,911	44,911
CERBT reimbursement	38,785	-	(38,785)
Other	-	6,080	6,080
O&M reimbursement from SAFCA	900,000	900,000	-
Finance Charges and penalties	150	-	(150)
Total	<u>\$ 3,241,371</u>	<u>\$ 3,309,073</u>	<u>\$ 67,702</u>

Changes from the Amount Originally Budgeted

Changes made to the original budget can be found in the Required Supplementary Information.

Actual Revenues/Financing Sources Compared with Final Budgeted Amounts

Actual revenues and other financing sources recognized by the District's Governmental Fund were \$67,702 more than budget. The variance resulted primarily from the property assessments and interest, offset by the CERBT reimbursement not being reflected as revenue of the fund.

Actual Expenditures/Other Financing Uses Compared with Final Budgeted Amounts

Following is a summary of current year budget and actual results for the District's General Fund expenditures (See Table 5). The favorable variance resulted from operations, administration and capital outlay.

TABLE 5
Fund Expenditures – Budget to Actual Comparisons

	Budget	Actual	Favorable (Unfavorable) Variance
Flood Protection	\$ 3,670	\$ 3,344	\$ 326

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District has \$63.9 million invested in capital assets including land, buildings, infrastructure, and equipment before depreciation (See Table 5).

Table 6
Changes in Capital Assets

	As of June 30, 2017	As of June 30, 2016	Increase (Decrease)
Lands and rights of way	\$ 2,208,583	\$ 2,208,583	\$ -
Buildings, pump plants and improvements	32,600,518	32,462,380	138,138
Infrastructure	26,514,781	26,514,781	-
Equipment and vehicles	<u>2,592,963</u>	<u>2,367,468</u>	<u>225,495</u>
Total capital assets	<u>\$ 63,916,845</u>	<u>\$ 63,553,212</u>	<u>\$ 363,633</u>

Debt Administration

As of June 30, 2017, the District had no long-term debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District office at:

Reclamation District No. 1000, California
1633 Garden Highway
Sacramento, CA 95833

Submitted by:
Paul Devereux, General Manager
Terrie Figueroa, District Secretary

BASIC FINANCIAL STATEMENTS

RECLAMATION DISTRICT No. 1000, CALIFORNIA

Statements of Net Position

June 30, 2017 and 2016

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS:		
Cash	\$ 2,056,176	\$ 342,932
Pooled cash and investments	5,953,177	6,804,230
Assessments receivable	16,368	56,790
Grant reimbursement receivable	665,021	665,021
Interest receivable	19,230	21,439
Receivable from SAFCA	-	900,000
Other receivables	79,030	84,023
Prepaid expenses	29,588	29,252
Inventory	174,241	174,241
Net OPEB Asset	590,977	518,984
Capital assets, net	<u>44,594,558</u>	<u>45,544,517</u>
 TOTAL ASSETS	 <u>54,178,366</u>	 <u>55,141,429</u>
 DEFERRED OUTFLOWS OF RESOURCES - deferred pensions	 <u>370,605</u>	 <u>144,664</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 129,976	\$ 125,291
Accrued payroll and related	120,297	116,729
Net pension liability	1,086,420	848,318
Deferred revenue	513,914	513,914
Deposits	<u>60,063</u>	<u>57,651</u>
Total liabilities	<u>1,910,670</u>	<u>1,661,903</u>
 DEFERRED INFLOWS OF RESOURCES - deferred pensions	 <u>55,838</u>	 <u>124,308</u>
NET POSITION:		
Invested in capital assets, net of \$-0- related debt	44,594,558	45,544,517
Unrestricted	<u>7,987,905</u>	<u>7,955,365</u>
Total net position	<u>52,582,463</u>	<u>53,499,882</u>

See independent auditors' report and notes to the financial statements.

RECLAMATION DISTRICT No. 1000, CALIFORNIA

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017				2016			
		Program Revenues		Net (Expense) Revenues and Changes in Net Position		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Capital Contributions and Grants	Governmental Activities	Expenses	Charges for Services	Capital Contributions and Grants	Governmental Activities
GOVERNMENTAL ACTIVITIES:								
Flood Protection	\$ 4,169,702	\$ 39,871	\$ 900,000	\$ (3,229,831)	\$ 3,852,132	\$ 21,335	\$ 900,000	\$ (2,930,797)
GENERAL REVENUES:								
Assessments				2,248,421				2,256,101
Interest				57,911				28,216
Miscellaneous				6,080				38,220
Total general revenues				2,312,412				2,322,537
CHANGE IN NET POSITION				(917,419)				(608,260)
NET POSITION, BEGINNING OF YEAR				53,499,882				54,108,142
NET ASSETS, END OF YEAR				\$ 52,582,463				\$ 53,499,882

See independent auditors' report and notes to the financial statements.

RECLAMATION DISTRICT No. 1000, CALIFORNIA

Balance Sheets - Governmental Fund

Years Ended June 30, 2017 and 2016

	General Fund	
	<u>2017</u>	<u>2016</u>
ASSETS		
ASSETS:		
Cash	\$ 2,056,176	\$ 342,932
Pooled cash and investments	<u>5,953,177</u>	<u>6,804,230</u>
	<u>8,009,353</u>	<u>7,147,162</u>
Receivables:		
Interest receivable	19,230	21,439
Assessments	16,368	-
Reimbursements receivable from SAFCA	-	900,000
Other	<u>79,030</u>	<u>84,023</u>
	<u>114,628</u>	<u>1,005,462</u>
Other assets	<u>29,588</u>	<u>29,252</u>
TOTAL ASSETS	<u>\$ 8,153,569</u>	<u>\$ 8,181,876</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 129,976	\$ 125,291
Accrued payroll and related	37,758	37,969
Deposits	<u>60,063</u>	<u>57,651</u>
Total liabilities	<u>227,797</u>	<u>220,911</u>
FUND BALANCES:		
Restricted	513,914	513,914
Nonspendable	29,588	29,252
Unrestricted:		
Board-assigned and committed	<u>7,382,270</u>	<u>7,417,799</u>
Total fund balances	<u>7,925,772</u>	<u>7,960,965</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,153,569</u>	<u>\$ 8,181,876</u>

See independent auditors' report and notes to the financial statements.

RECLAMATION DISTRICT No. 1000, CALIFORNIA
Reconciliation of the Balance Sheets to Statements of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
TOTAL GOVERNMENTAL FUND BALANCES	\$ 7,925,772	\$ 7,960,965
Amounts reported for governmental activities but not included in the governmental fund:		
Non-financial resources:		
Capital assets, net	44,594,558	45,544,517
Net pension liability	(1,086,420)	(848,318)
Deferred outflows of resources related to pensions	370,605	144,664
Deferred inflows of resources related to pensions	(55,838)	(124,308)
Deferred revenue	(513,914)	(513,914)
Accrued vacation	(82,539)	(78,760)
Receivables that will not be collected within 90 days	665,021	721,811
Inventory that will not be used within 90 days	174,241	174,241
Net OPEB asset	<u>590,977</u>	<u>518,984</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 52,582,463</u>	<u>\$ 53,499,882</u>

See independent auditors' report and notes to the financial statements

RECLAMATION DISTRICT No. 1000, CALIFORNIA**Statements of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Fund
Years Ended June 30, 2017 and 2016**

	General Fund	
	<u>2017</u>	<u>2016</u>
REVENUES:		
Property assessments	\$ 2,305,211	\$ 2,243,311
Rents, easements, and fees for services	39,871	21,335
Interest	57,911	28,216
Other	6,080	32,041
O&M reimbursement from SAFCA	900,000	900,000
Finance charges and penalties	-	6,179
Total revenues	<u>3,309,073</u>	<u>3,231,082</u>
EXPENDITURES:		
Flood Protection:		
Operations	1,948,702	1,585,244
Administration	1,029,278	1,045,449
Capital outlay	<u>366,286</u>	<u>124,375</u>
Total expenditures	<u>3,344,266</u>	<u>2,755,068</u>
NET CHANGE IN FUND BALANCES	(35,193)	476,014
FUND BALANCES, BEGINNING OF YEAR	<u>7,960,965</u>	<u>7,484,951</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,925,772</u>	<u>\$ 7,960,965</u>

See independent auditors' report and notes to the financial statements

RECLAMATION DISTRICT No. 1000, CALIFORNIA

Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances to Statements of Activities
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ (35,193)	\$ 476,014
Amounts reported for governmental activities in the statement of net assets is different because:		
Governmental funds report capital outlay as expenditures; However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	363,633	124,375
Current year depreciation expense	(1,313,592)	(1,331,039)
Governmental funds do not report nonfinancial resources such as long term assets or liabilities.		
Timing of assessment revenues collected beyond 90 days	(56,790)	12,790
The increase in accrued vacation is not recognized as an expenditure in the governmental fund as accrued vacation does not represent financial resources	(3,780)	(374)
Pension payments reported as expense in the fund financial statements are not included in the government-wide financial statements	139,989	130,747
Actuarially determined pension plan expense reported in the government-wide financial statements is not reported in the fund financial statements	(83,680)	(4,557)
Funding of the OPEB asset is not reported in the government-wide financial statements as an expense but does represent use of financial resources in the governmental fund	<u>71,994</u>	<u>(16,216)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (917,419)</u>	<u>\$ (608,260)</u>

See independent auditors' report and notes to the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1. DESCRIPTION OF THE DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES

The District

Reclamation District 1000, California (the "District") was formed under an Act of the Legislature of the State of California on April 18, 1911. The District is governed by a Board of Trustees and operates and maintains seven pumping stations, 42.61 miles of federal project levees, ten miles of non-project levees in the Pleasant Grove area, and 180 miles of canals and ditches in Sacramento and Sutter Counties.

Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no other outside entity meets the above criteria, and, therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unity of such entity.

Basis of Presentation and Measurement Focus

The accounting policies of the District conform to generally accepted accounting principles, as applicable to governmental units. The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Government fund financial statements
- Notes to the basic financial statements

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. Such is the same approach used in the preparation of the fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balance, which reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. Currently, the District has only one governmental fund, the general fund.

As the District does not operate on a fee-for-service basis, but rather from property tax assessments, the accompanying financial statements are presented as a governmental fund basis, rather than on a proprietary fund basis.

The General Fund is the general operating and maintenance fund of the District. It is used to account for all financial resources.

As of June 30, 2017, the Board of Trustees has assigned and/or committed fund balances of \$7,382,016 of the \$7,925,772 fund balance for various purposes. Such amounts are not legally restricted, and the Board has the authority to unassign and/or uncommit such reserves.

In June 2012, the District adopted Resolution 2012-06, adopting a fund balance policy in accordance with GASB 54 requirements. The following fund balance classifications were adopted:

- **Nonspendable Fund Balance** – for funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact. The District has \$29,588 in nonspendable fund balance as of June 30, 2017 related to prepaid expense.
- **Restricted Fund Balance** – for funds that are mandated for specific purposes by external parties, constitutional provisions, or enabling legislation. At the time of adoption of this resolution, the Board of Trustees established the following restricted fund balance:
 - A legally restricted fund of \$513,914 has been established related to monies received that are to be passed through to SAFCA. The District does not have variance power over these monies.
- **Committed Fund Balance** – for funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. These committed funds cannot be used for

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. Board of Trustee action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements. As of June 30, 2017, there are no committed fund balances.

- **Assigned Fund Balance** – Funds that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Resolution 2012-06 delegates authority to assign amounts to be used to the District Manager. As of June 30, 2017, District management has assigned \$1,500,000 for the Emergency Food Fight Fund, and \$3,129,785 for the General Capital Fund. In addition, the Board’s Financial Reserve Policy sets the Operation and Maintenance (O&M) Fund Reserve balance at 75% of the annual budget. As such, as of June 30, 2017, a fund of \$2,752,485 has been assigned by management for future operations and maintenance.
- **Unassigned Fund Balance** – The residual positive net resources of the general fund in excess of what can properly be classified in one of the above four categories.

The Board also determined that when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. Similarly, when expenditures are incurred for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, such as property taxes. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been offset with deferred revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized on governmental fund financial statements.

Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary funds would use the accrual basis of accounting.

Budgets and Budgetary Accounting

State law does not require the District's governing board to adopt a budget. The District's governing board adopts a budget each year, which is used as a management tool.

Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Receivables

As of June 30, 2017 and 2016, the grant reimbursement receivable of \$665,021 is not expected to be collected within the coming fiscal year.

Inventory

The District has purchased significant amounts of large rock to keep on hand for emergency levee repair. Estimated remaining balances are recorded at cost on a first-in, first-out basis. During the years ended June 30, 2017 and 2016, inventory was not included in the fund financial statements as these are considered non-financial resources.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are recorded as assets in the government-wide financial statements. For the fund financial statements, capital outlay is recorded as expenditures of the general fund. Capital assets are recorded at historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of contribution.

The District's capitalization thresholds are \$5,000 for equipment, \$25,000 for buildings and improvements, \$50,000 for pumps and improvements, and \$100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

Asset Class	Years
Vehicles and equipment	5 to 10 years
Buildings and improvements	20 to 40 years
Pumps and improvements	7 to 50 years
Infrastructure	100 years

Current infrastructure projects include construction on the Natomas Levee Improvement Project (NLIP), which began in 2007. The purpose of the NLIP is to provide Natomas with at least 200-year flood protection. The work is being done by the Sacramento Area Flood Control Agency (SAFCA) using local assessment district funds and State bond funds (Proposition 1E). Upon completion, the levee improvements may become assets of the District, who will be responsible for the operation and maintenance of the modified levees. SAFCA will acquire and transfer the necessary rights of way to the District for the future operations and maintenance. At that time, the capital contributions will be recognized in the financial statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources related to pensions (see Note 4).

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and, accordingly, will not be recognized as an inflow of resources (revenue) until such time. The District has deferred inflows of resources related to pensions (see Note 4).

Pensions

For purposes of measuring the net pension liability (NPL) and deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position (FNP) of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' FNP have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Compensated Absences

District employees accrue paid vacation and sick days in varying incremental amounts based upon length of employment. Upon termination of employment, an employee will be paid for unused vacation time not to exceed maximum accrual rate of 360 hours. The liability of \$82,539 and \$78,760 as of June 30, 2017 and 2016, respectively, has been recorded as a current

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

expenditure and liability in the fund financial statements as it is estimated that current expendable resources will be used to pay all but an immaterial portion of the liability.

Employees are not paid for unused sick days upon termination of employment and, accordingly, no provision has been made in the financial statements. Unused sick leave can be converted to years of service upon retirement. Employees, upon retirement, may receive up to 1/3 of their accrued sick leave, up to a maximum of 400 hours, as compensation; the balance can be converted to years of service upon retirement. No provisions are made for payment of sick leave except at retirement.

Assessments

The District made assessments against properties within the District in accordance with requirements of State law. Assessments are processed through Sacramento and Sutter Counties based on the parcel size and designated land use of the parcels. Assessments are payable with the property owner's property taxes and are due, payable, and delinquent on the same schedule as property taxes. Treatment of delinquencies and foreclosures are the same as for property taxes. However, Sacramento County purchases rights to penalties and interest on all delinquencies on assessments within the District, under the Teeter Plan, by guaranteeing the District 100% of its annual benefit assessment within Sacramento County each year.

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.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to current year presentation.

Subsequent Events

Management has evaluated subsequent events through March 2, 2018, the date on which the financial statements were available to be issued. Based on such evaluation, no additional adjustments to or disclosures in the financial statements were deemed necessary.

2. CASH AND INVESTMENTS

As of June 30, 2017 and 2016, the carrying amount of the District's bank deposits was \$2,056,176 and \$342,932. Of the bank balances, the Federal Depository Insurance Corporation insures \$250,000 by bank. The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. The remainder was covered by collateral held in the pledging financial institutions' trust departments in the District's name.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

Pooled Cash and Investments

Pooled cash and investments as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and investments in Sacramento County Treasury	\$ 3,200,362	\$ 4,076,727
Cash and investments in City of Sacramento Pool A	1,025,028	1,010,895
Cash and investments in State of California Treasury (LAIF)	<u>1,727,787</u>	<u>1,716,608</u>
Total pooled cash and investments	<u>\$ 5,953,177</u>	<u>\$ 6,804,230</u>

Sacramento County Treasury

As provided for by the California Government Code, the District maintains cash in the Sacramento County Pooled Investment Fund (County Treasury). The County Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is accounted for separately. Any interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Investment gains and losses are proportionately shared by the participants as increases or reductions in earnings. The value of the pool shares in the County Treasury; which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's portion in the pool.

The County Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County Treasury are either secured by federal depository insurance or are collateralized. The County Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. Treasury notes and agency obligations, state registered warrants and municipal notes, local agency bonds, the State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit and repurchase or reverse repurchase agreements.

The County Treasury is overseen by the Treasury Oversight Committee, pursuant to Government Code, and must adhere to an annual investment policy that prohibits investments that have the possibility of returning a zero or negative yield if held to maturity.

City of Sacramento Pool A Investment Fund

As provided for by the California Government Code, the District maintains cash in the City of Sacramento Pool A Investment Fund (Pool A). The City pools funds with those of other districts and cities in the county and invests the cash. The share of each fund in the pooled account is accounted for separately. Any interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

Investment gains and losses are proportionately shared by the participants as increases or reductions in earnings.

Pool A is invested pursuant to the objectives and requirements set forth in the City of Sacramento's investment policy. The three objectives of the investment policy, in order of priority, are (1) the preservation of capital by the investment in safe instruments, (2) the liquidity needs of the City and pool participants so such parties will have access to cash when they need it, and (3) the maximizing of current income while remaining consistent with the other more important objectives. The City's investment policy incorporates applicable provisions of state law including, among other things, the prudent person standard and California Code Section 53601 pertaining to eligible investments.

Pool A is overseen by the City Council and managed by the City Treasurer, pursuant to Government Code, and must adhere to an annually approved investment policy.

Local Area Investment Fund

As provided for by the California Government Code, the District maintains cash in the State of California Treasury Local Area Investment Fund (LAIF). LAIF pools these funds with those of other local agencies and invests the cash. The share of each fund in the pooled account is separately accounted for and income earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Investment gains and losses are proportionately shared by the participants as increases or reductions in earnings. The value of the pool shares in LAIF, which may be currently withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's portion in the pool.

All securities are purchased under the authority of Government Code Section 16430 and 16480.4 and backed by the State of California. California Government Code Section 16429.4 stipulates that the State cannot borrow or ever withhold LAIF monies.

The Local Investment Advisory Board provides oversight for LAIF. The portfolio consists predominantly of commercial paper, Federal Agency discount notes, time deposits and certificates of deposit.

Investments Authorized by the District's Investment Policy

The District invests in investment types authorized for the entity by the California Government Code 53601.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

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 values to changes in market interest rates.

As of June 30, 2017, the weighted average maturity of investments is approximately 277 days, 2.11 years, and 194 days, respectively, for pooled investments held in the County Treasury, City Treasury, and LAIF, respectively.

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 risk is measured by the assignment of a rating by the nationally recognized statistical rating organization. State law as well as LAIF investment policies, which govern the pools in which the District invests, limit the pools' respective investments to those issuers with top ratings as issued by nationally recognized statistical rating organizations.

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 recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District and the California Government Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: the California Government Code requires that a financial institution secure deposits made by state and local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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.

Derivative Investments

The District did not directly enter into any derivative investments. Current information regarding the amount invested in derivatives by the County Treasury was not available. Any investments in derivative financial products by LAIF are minimal. Additional disclosure detail required by GASB Statements No. 3, 31, and 40 and GASB Technical Bulletin 94-1 regarding cash deposits and investments are presented in the financial statements of the County of Sacramento for the most recent fiscal year issued.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

3. CAPITAL ASSETS

A summary of changes to capital assets for the year ended June 30, 2017, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2016	Additions	Transfers/ Disposals	June 30, 2017
Land and rights of way	\$ 2,208,583	\$ -	\$ -	\$ 2,208,583
Infrastructure	26,514,781	-	-	26,514,781
Building and improvements	2,198,602	138,138	-	2,336,740
Pump equipment and improvements	30,263,778	-	-	30,263,778
Equipment and vehicles	2,367,468	225,495	-	2,592,963
	63,553,212	363,633	-	63,916,845
Accumulated depreciation	(18,008,695)	(1,313,592)	-	(19,322,287)
	<u>\$ 45,544,517</u>	<u>\$ (949,959)</u>	<u>\$ -</u>	<u>\$ 44,594,558</u>

A summary of changes to capital assets for the year ended June 30, 2016, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2015	Additions	Transfers/ Disposals	June 30, 2016
Land and rights of way	\$ 2,173,363	\$ 35,220	\$ -	\$ 2,208,583
Infrastructure	26,514,781	-	-	26,514,781
Building and improvements	2,155,945	42,657	-	2,198,602
Pump equipment and improvements	30,263,778	-	-	30,263,778
Equipment and vehicles	2,320,970	46,498	-	2,367,468
	63,428,837	124,375	-	63,553,212
Accumulated depreciation	(16,677,656)	(1,331,039)	-	(18,008,695)
	<u>\$ 46,751,181</u>	<u>\$(1,206,664)</u>	<u>\$ -</u>	<u>\$ 45,544,517</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$1,313,592 and \$1,331,039, respectively, and was charged to the single function of the District: flood protection.

4. DEFINED BENEFIT PENSION PLAN

General Information About the Plan

Plan Descriptions – The Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes (but not accounting purposes), and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

Pension Plan administered by CalPERS. Benefit provisions under the Plans are established by State statute and District resolution.

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

The Plan provisions and benefits in effect at June 30, 2017 and 2016, are summarized as follows (plan descriptions are not made for tiers for which there are no eligible or active employees):

	Miscellaneous Plan		
	After June 30, 2005 through August 30, 2011	After August 30, 2011 through December 31, 2012	After January 1, 2013 through the present
Hire Date			
Benefit formula	2% @ 55	2% @60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	52 - 67	52 - 67	52 - 67
Monthly benefits, as % of eligible compensation	1.0% to 2.5%	1.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	8.921%	7.2%	6.533%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

The District's proportionate share of the risk pool collective net pension liability as of the measurement date of June 30, 2016 and 2015, respectively:

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2017 and 2016

	Fiscal Year Ended	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net pension liability as of the measurement date	\$ 1,086,420	\$ 848,318

For the years ended June 30, 2017 and 2016, the District recognized pension expense of \$83,680 and \$14,672, respectively.

The District's net pension liability was on the proportionate shares (in dollars) determined by CalPERS based on actuarial measurement specific to the plan in the Miscellaneous Pool. The net pension liability is measured as of June 30, 2016, using annual actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/16</u>
Pension contributions subsequent to measurement date	\$ 139,989	\$ 130,747	\$ -	\$ -
Net differences between projected and actual earnings on pension plan investments	222,480	-	-	35,162
Changes of assumptions	-	-	42,746	70,140
Differences between expected and actual experience	4,518	7,414	1035	-
Differences between the employer's contributions and the employer's proportionate share of contributions	3,252	6,503	2,861	4,451
Change in employer's proportion	<u>366</u>	<u>-</u>	<u>9,196</u>	<u>14,555</u>
Total	<u>\$ 370,605</u>	<u>\$ 144,664</u>	<u>\$ 55,838</u>	<u>\$ 124,308</u>

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year ended.

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Notes to Financial Statements Years Ended June 30, 2017 and 2016

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense	
Fiscal Year Ending June 30:	Net Deferred Outflows/(Inflows) of Resources
2018	\$ 6,989
2019	10,009
2020	100,155
2021	57,625
2022	-
Thereafter	-

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability (TPL) (valuation date). Both the June 30, 2015 valuation date TPL and the June 30, 2016 measurement date TPL were determined using the following actuarial methods and assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Investment Rate of return	7.5%*
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds

*Net of pension plan investment and administrative expense; includes inflation

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS was scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle, which review was scheduled for completion in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the this fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Target Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47%	4.9%	5.38%
Global Fixed Income	19.0%	.8%	2.27%
Inflation Sensitive	6.0%	.6%	1.39%
Private Equity	12%	6.6%	6.63%
Real Estate	11%	2.8%	5.21%
Infrastructure and Forestland	3%	3.9%	5.36%
Liquidity	2%	(0.40%)	(.90%)
Total	100%		

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

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

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Notes to Financial Statements
Years Ended June 30, 2017 and 2016

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$ 1,703,585
Current Discount Rate	7.65%
Net Pension Liability	\$ 1,086,420
1% Increase	8.65%
Net Pension Liability	\$ 576,364

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, no amounts were payable for the outstanding amount of contributions to the pension plan as required for the year ended June 30, 2017, except for a payable to a side fund of CalPERS for \$13,727.

5. OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description. The District's defined benefit postemployment healthcare plan provides medical benefits to employees who have attained age 50 with five years of service, or under PEPPRA after 10 years of service, increasing 2% per year up to 100% of the benefit after 20 years of service. The plan also provides for dependent coverage. In fiscal year 2012/13, the District modified its contract with CalPERS Public Employees Healthcare to a 75/25 employer/employee cost share for current employees and retirees. Employees hired after January 1, 2013 cost share under the 100/90 State Vesting Plan as contracted by the District.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

Funding Policy. During the year ended June 30, 2012, the District contracted with the CalPERS Employee Retirement Benefit Trust (CERBT) as a vehicle to fund and administer other postemployment benefits. As of June 30, 2017 and 2016, the District has funded the estimated unfunded liability.

Postemployment healthcare benefits were previously paid on a pay-as-you go basis. In accordance with the parameters of GASB Statement No. 45, the District's annual required contribution (ARC) is an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 3.2% of annual covered payroll.

Annual OPEB Cost. In accordance with the requirements of GASB 45, the District obtains an OPEB actuarial study once every two years. The District's annual OPEB cost was \$27,947 and \$37,757 for the years ended June 30, 2017 and 2016, respectively. The annual OPEB cost was equal to the ARC.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan (or benefits paid), and the net OPEB obligation/asset (based on the June 30, 2017 actuarial study) are as follows:

Fiscal year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Cumulative Net OPEB Obligation Before Contributions	Cumulative Contributions	Net OPEB Asset (Obligation)
06/30/09	\$ 94,334	68.4%	\$ (94,334)	\$ 64,524	\$ (29,810)
06/30/10	94,334	59.2%	(188,668)	120,370	(68,298)
06/30/11	80,994	67.7%	(269,662)	175,203	(94,459)
06/30/12	80,994	674.7%	(350,656)	721,670	371,014
06/30/13	82,892	136.4%	(433,548)	834,727	401,179
06/30/14	23,163	872.6%	(456,711)	1,036,850	580,139
06/30/15	23,800	100.0%	(480,511)	1,060,650	580,139
06/30/16	37,757	100.0%	(518,268)	1,037,252	518,984
06/30/17	27,947	138.8%	(546,215)	1,137,192	590,977

GASB Statement No. 45 was applied on a prospective basis. Prior to implementation of this standard, the District recorded OPEB expense on a pay-as-you-go basis. The following reconciles current year expense to amounts on a pay-as-you-go basis for the years ended June 30, 2017 and 2016:

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Notes to Financial Statements Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Normal cost	\$ 29,220	\$ 30,800
UAAL amortization	70,871	67,128
Residual UAAL amortization	<u>(72,144)</u>	<u>(60,181)</u>
Total annual required contribution	27,947	37,747
Retiree benefits paid without trust reimbursement	-	-
Change to Net OPEB obligation before funding	<u>\$ 27,947</u>	<u>\$ 37,747</u>

Funded Status and Funding Progress. The schedule of funding progress and funded status of the plan as of June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Actuarial accrued liability (AAL)	\$ 930,432	\$ 957,661
Actuarial value of plan assets	<u>977,817</u>	<u>934,904</u>
Unfunded actuarial accrued liability (UAAL)	<u>47,385</u>	<u>(22,757)</u>
Funded ratio (actuarial value of plan assets/AAL)	105%	97.6%
Covered payroll (active plan members)	\$ 826,794	\$ 743,346
UAAL as a percentage of covered payroll	5.7%	3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2015
Actuarial cost method	Entry age, Normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years for initial UAAL, and 20 years for residual UAAL
Asset valuation method	Fair value
Investment rate of return (funded)	6.50%
Salary increase	2.75%
Inflation	2.75%
Healthcare trend rate	4.0%
Market value of plan assets as of 6/30/17	\$ 975,430

5. CONTINGENCIES

The District has programs for public liability and property damage. There have been no settlements related to these programs that exceed insurance coverage during the 2016-17 fiscal year. The District retains the risk for all loss exposure in excess of insurance coverage. Claims, expenditures, and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated.

The District receives Federal, State, and local funds for specific purposes and is subject to compliance requirements. Such funding is subject to review and audit by the awarding agencies at their discretion. If such audits were to disallow any expenditure, the District could potentially be liable to return funds. Management believes that such amounts, if any, would not have a significant effect on the financial position of the District. This is not considered a probable contingency and no liability has been reported on these financial statements.

6. NEW ACCOUNTING PRONOUNCEMENTS

In June of 2015, GASB issued GASBS No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

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- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
 - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
 - OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, the following information also is required to be disclosed:

- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
- Significant assumptions and other inputs used to measure the total OPEB liability and information about the sensitivity of the measure of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

All defined benefit OPEB plans are required to present in required supplementary information a schedule covering each of the ten most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year.

For single-employer and cost-sharing OPEB plans, the following information for each of the ten most recent fiscal years is required to be presented as required supplementary information:

- Sources of changes in the net OPEB liability.
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

In addition, all OPEB plans, including agent OPEB plans, are required to explain certain factors that significantly affect trends in the amounts reported in the schedules of required supplementary information, such as changes of benefit terms, changes in the size of composition of the population covered by the benefit terms, or the use of different assumptions.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. The District is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). This Statement may result in a change in current practice and have a material effect on the financial statements of the District.

In June of 2015, GASB issued GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and reporting requirements for OPEB plans.

The consistency, comparability, and transparency of the information reported by employers and governmental non-employer contributing entities about OPEB transactions will be improved by requiring the following:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2017 and 2016

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- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
 - Explanations of how and why the OPEB liability changed from year to year will improve transparency
 - The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
 - For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2018 (effective for periods beginning after June 30, 2017). This Statement may result in a change in current practice and have a material effect on the financial statements of the District.

In June of 2017, GASB issued GASBS No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In November 2016, GASB issued GASBS No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

REQUIRED SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT No. 1000, CALIFORNIA
Schedule 1 - Revenues and Expenditures of Governmental Fund
Budget and Actual
Years Ended June 30, 2017 and 2016

	2017			2016		
	Original and Final Budget	Actual	Favorable/ (unfavorable)	Original and Final Budget	Actual	Favorable/ (unfavorable)
REVENUES:						
Property assessments	\$ 2,248,065	\$ 2,305,211	\$ 57,146	\$ 2,247,575	\$ 2,243,311	\$ (4,264)
Rents, easements, and fees for services	41,371	39,871	(1,500)	40,335	21,335	(19,000)
Interest	13,000	57,911	44,911	12,500	28,216	15,716
Other	-	6,080	6,080	10,000	32,041	22,041
CERBT Reimbursement	38,785	-	(38,785)	48,115	-	(48,115)
O&M reimbursement revenue from SAFCA	900,000	900,000	-	900,000	900,000	-
Finance charges and penalties	150	-	(150)	300	6,179	5,879
Total revenues	<u>3,241,371</u>	<u>3,309,073</u>	<u>67,702</u>	<u>3,258,825</u>	<u>3,231,082</u>	<u>(27,743)</u>
EXPENDITURES:						
Flood Protection:						
Operations	2,019,860	1,948,702	71,158	1,912,328	1,585,244	327,084
Administration	1,065,120	1,029,278	35,842	1,075,798	1,045,449	30,349
Capital outlay	585,000	366,286	218,714	373,000	124,375	248,625
Total expenditures	<u>3,669,980</u>	<u>3,344,266</u>	<u>325,714</u>	<u>3,361,126</u>	<u>2,755,068</u>	<u>606,058</u>
NET CHANGE IN FUND BALANCES	(428,609)	(35,193)	393,416	(102,301)	476,014	578,315
FUND BALANCES, BEGINNING OF YEAR	<u>7,960,965</u>	<u>7,960,965</u>	<u>-</u>	<u>7,484,951</u>	<u>7,484,951</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,532,356</u>	<u>\$ 7,925,772</u>	<u>\$ 393,416</u>	<u>\$ 7,382,650</u>	<u>\$ 7,960,965</u>	<u>\$ 578,315</u>

See accompanying note to this schedule

RECLAMATION DISTRICT No. 1000, CALIFORNIA
Schedule 2 - Expenditures of Governmental Fund - Budget and Actual
Years Ended June 30, 2017 and 2016

	2017			2016		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
OPERATIONS:						
Power	\$ 450,000	\$ 596,209	\$ (146,209)	\$ 450,000	\$ 338,632	\$ 111,368
Utilities	6,000	2,630	3,370	6,000	4,155	1,845
Herbicides	120,000	79,106	40,894	100,000	117,495	(17,495)
Field services	113,000	71,150	41,850	65,000	54,466	10,534
Field operations consultants	20,000	12,871	7,129	20,000	12,417	7,583
Materials and supplies	20,000	28,217	(8,217)	25,000	17,334	7,666
Refuse collection	7,000	8,853	(1,853)	7,500	6,729	771
Compensation	943,860	948,858	(4,998)	878,828	858,125	20,703
Fuel	60,000	46,007	13,993	75,000	35,216	39,784
Equipment repairs and service	65,000	20,768	44,232	25,000	10,786	14,214
Shop equipment (not vehicles)	10,000	56,739	(46,739)	50,000	51,326	(1,326)
Contingency - Levee patrols	5,000	-	5,000	5,000	-	5,000
Facility repairs	125,000	30,648	94,352	130,000	41,063	88,937
Equipment rental	10,000	9,146	854	10,000	-	10,000
Field equipment	20,000	-	20,000	20,000	-	20,000
Security patrol	45,000	37,500	7,500	45,000	37,500	7,500
	<u>\$ 2,019,860</u>	<u>\$ 1,948,702</u>	<u>\$ 71,158</u>	<u>\$ 1,912,328</u>	<u>\$ 1,585,244</u>	<u>\$ 327,084</u>
ADMINISTRATION:						
Assessment	\$ 30,000	\$ 39,208	\$ (9,208)	\$ 30,000	\$ 28,380	\$ 1,620
Office supplies and computer	10,500	16,721	(6,221)	13,500	6,257	7,243
Liability and auto insurance	110,000	101,109	8,891	110,000	100,882	9,118
Uninsured losses	1,000	1,718	(718)	1,000	2,655	(1,655)
Group insurance	118,347	102,322	16,025	122,155	133,918	(11,763)
Annuitant healthcare	50,970	-	50,970	48,115	0	48,115
Dental/vision insurance	26,000	20,935	5,065	24,200	21,228	2,972
Workers' compensation insurance	47,444	48,947	(1,503)	43,090	43,378	(288)
Memberships	35,000	30,309	4,691	33,000	28,781	4,219
Legal	85,000	74,725	10,275	75,000	128,786	(53,786)
Engineering/Administrative consultants	150,000	161,816	(11,816)	150,000	126,530	23,470
Public relations, legislative analyst	25,000	33,986	(8,986)	30,000	23,193	6,807
Accounting and related services	25,100	13,445	11,655	22,000	18,010	3,990
Administrative services	20,000	27,815	(7,815)	16,500	25,143	(8,643)
Payroll taxes	71,656	73,845	(2,189)	70,000	67,343	2,657
Pension	134,749	159,252	(24,503)	129,138	130,747	(1,609)
Trustees fees	39,000	32,850	6,150	39,000	32,850	6,150
City and county fees	9,969	9,570	399	8,500	15,071	(6,571)
Mitigation land taxes	3,000	2,074	926	3,000	2,204	796
Property Taxes (SAFCA CAD)	3,600	3,372	228	3,600	3,411	189
Election Costs	-	-	-	50,000	1,956	48,044
OPEB - ARC	38,785	38,785	-	23,000	37,757	(14,757)
Utilities	20,000	17,560	2,440	18,000	15,489	2,511
Other	10,000	18,914	(8,914)	13,000	51,480	(38,480)
	<u>\$ 1,065,120</u>	<u>\$ 1,029,278</u>	<u>\$ 35,842</u>	<u>\$ 1,075,798</u>	<u>\$ 1,045,449</u>	<u>\$ 30,349</u>
CAPITAL OUTLAY:						
Miscellaneous capital	\$ -	\$ -	\$ -	\$ -	\$ 35,220	\$ (35,220)
Facility repairs	-	2,654	(2,654)	-	42,657	(42,657)
Vehicles/Equipment	-	5,308	(5,308)	38,000	46,498	(8,498)
Capital - facilities	350,000	138,137	211,863	235,000	-	235,000
Capital - large equipment	235,000	220,187	14,813	100,000	-	100,000
	<u>\$ 585,000</u>	<u>\$ 366,286</u>	<u>\$ 218,714</u>	<u>\$ 373,000</u>	<u>\$ 124,375</u>	<u>\$ 248,625</u>

See accompanying note to this schedule

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

Note to Schedules 1 and 2 – Budgetary Data

Year Ended June 30, 2017

78. BUDGETARY DATA

District adopts an annual budget for the General Fund (consisting of operations, maintenance, and designated modernization projects) for each fiscal year. Budgets are adopted on a basis consistent with generally accepted government accounting principles. The final approved budget for 2016-17 is presented in these financial statements. Minor line item adjustments were made to the original budget. As such, the original and revised budgets are presented in these financial statements.

RECLAMATION DISTRICT NO. 1000, CALIFORNIASchedule 4 – Schedule of the District’s Proportionate Share of the Net Pension Liability
Years Ended June 30, 2017 and 2016

As described in Note 4, net pension liability and fiduciary net position are allocated to the plan based on its proportion of the Miscellaneous Risk Pool. However, GASB No. 68 requires that employers report certain proportions as a percentage of the total plan.¹

	Measurement Date		
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014²</u>
District’s proportion of the net pension liability (asset)	0.01256%	0.0124%	0.01360%
District’s proportionate share of the net pension liability (asset)	\$ 1,086,420	\$ 848,318	\$ 846,161
District’s covered-employee payroll (for the year ending on the measurement date)	\$ 858,126	\$ 852,087	\$ 630,170
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.6%	99.56%	134.27%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.21%

¹ The schedule of the District’s proportionate share of the net pension liability is intended to present historical information for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

² The schedule of the District’s proportionate share of the net pension liability is intended to present historical information for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

Schedule 5 – Schedule of the District's Contributions

Years Ended June 30, 2017 and 2016

	Measurement Date		
	<u>6/30/2016³</u>	<u>6/30/2015</u>	<u>6/30/14</u>
Actuarially determined contribution	\$ 139,989	\$ 130,747	\$ 100,907
Contributions in relation to the actuarially determined contribution	<u>139,989</u>	<u>130,747</u>	<u>100,907</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (for the fiscal year ending on the date shown)	\$ 826,547	\$ 858,126	\$ 630,170
Contributions as a percentage of covered-employee payroll	16.94%	15.24%	16.01%

³ The schedule of the District's plan contributions is intended to present historical information for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

OTHER REPORTS

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

To the Board of Trustees of
Reclamation District 1000, California
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Reclamation District 1000, California (the District), which comprise District's basic financial statements as listed in the Table of Contents, as of June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
March 2, 2018