CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

RECLAMATION DISTRICT 1000, CALIFORNIA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Years Ended June 30, 2012 and 2011

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RECLAMATION DISTRICT 1000, CALIFORNIA

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

June 30, 2012 and 2011

RECLAMATION DISTRICT 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 of Reclamation District 1000, California (the "District") as of and for the years ended June 30, 2012 and 2011, which comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Reclamation District 1000, California as of June 30, 2012 and 2011, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America and State regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of Reclamation District 1000, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis and budgetary comparison information as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

WALNUT CREEK, CALIFORNIA
November 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2012

- At the end of the year, the District's total net assets (total assets less total liabilities) were $45.9 million, of which $39.0 million is invested in capital assets and $6.9 million is unrestricted.
- As of June 30, 2012, the District's General Fund reported a total fund balance of $5.7 million, of which $3.6 million has been assigned or committed by the board, and $2.1 million is unassigned and can be used for operations and maintenance.
- The District's capital asset balances were $39.0 million at year-end, decreasing $460 thousand during the year, net of depreciation of $845 thousand.
- The District has no long-term debt.

The significant operation and maintenance projects undertaken during the fiscal year ended June 30, 2012 include:

- Rock revetment on interior drainage canals – District crews and outside contractors placed approximately 15,000 feet of rock revetment at various locations along the District's interior canal system to address on-going erosion near the waterline of the canal banks and the waterside levee slope along the Sacramento River to deter vehicles from traversing and damaging the levee slope. The total cost of the rock revetment work was approximately $163,767. This item was budgeted.

- Tree trimming on the Sacramento River and American River levees was done to provide visibility of the levee slopes and adjacent area during flood season to monitor the system for boils, seepage, erosion, and other levee stability issues. It was also necessary to comply with the Central Valley Flood Protection Board's Interim Guide to Vegetation on levees. The cost was $16,900. This item was charged to field services and was budgeted.

- The Plant 1B generator project was bid and a contract awarded this year. This project entails modification of the current Plant 1B electrical building and the installation of an emergency backup generator. The purpose of the project is to provide emergency power to continue operating the pumps and remove water from the Main Drain, even if the electrical power is disrupted. Costs incurred for this project were $169,000 and include costs for an environmental document, design, bidding, and permitting. For purposes of the financial statements, these costs have been recorded as construction-in-progress within net capital assets. The total contract award for the Plant 1B generator project is $715,515. As a part of this project, the District solicited bids and purchased a 2.0

megawatt diesel generator for the project. The purchase price of the generator is $695,000. This project will be funded by the City of Sacramento Utilities Department as part of the North Natomas Community Drainage Assessment District under the agreement between the City of Sacramento and the District.

- The Pumping Plant No. 2 Reconstruction project was bid and a contract awarded to Mountain Cascade, Inc. during the fiscal year. This project is being funded by a combination of FEMA disaster assistance grant funds and SAFCA, as part of the Natomas Levee Improvement Project. The FEMA grant is a result of the 2006 disaster declaration and flood fight efforts at the site to prevent the levee from failing due to underseepage, which necessitated removal of the pumping plant structure and filling the sump. The total contract amount awarded for the Plant No. 2 Reconstruction Project is $7,595,237. Approximately $5.7 million will be funded through the FEMA grant, which is cost-shared by FEMA, CalEMA, and a local match from the District estimated at $300,000. The remaining costs will be shared by SAFCA, Natomas Central Mutual Water Company and the District through an agreement executed by the entities in 2012. The costs incurred by the District this year for the project are $38,000 and include legal fees, permitting, and bid costs. For the purpose of the financial statements, these costs have been recorded as construction-in-progress and reflected within net capital assets.

- During the current fiscal year, the District elected to join the California Public Employees Retirement Benefit Trust for Other Post-Employment Benefits (OPEB). The District prefunded 50 percent ($499,334) of the unfunded accrued liability of $998,668.

- 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 not established a specific Nonspendable Fund at this time.
    - **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:
        - Metro Airpark Groundwater Pumping fund to pay pumping costs for the discharge of groundwater received from the County's Metro Airpark detention basin into the Sacramento River. These funds will be used annually to offset pumping costs generally at Pumping Plant No. 3 and will likely have a zero balance at each fiscal year-end.
    - **Committed Fund Balance** – for funds set aside for specific purposes by the District's highest level of decision-marking authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. These committed funds cannot be used for 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. At the time of adoption of this resolution, the Board of Trustees established the following committed funds balances:

- Other Post Employment Benefits (OPEB fund) – The District will commit the total expected unfunded liability balance for past service, amortization being paid over the period of ten years. As of the most recent actuarial valuation, the unfunded liability for past service is established as $499,334. The OPEB unfunded liability balance is subject to change every two years when a biennial actuarial valuation is completed.

- **Assigned Fund Balance** – Funds that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
  - The resolution delegates authority to assign amounts to be used for the Flood Fight fund to the District Manager for the purpose of reporting these amounts in the financial statements. Other purposes will be assigned by the Board of Trustees as deemed necessary.
- **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.

Significant capital projects on District facilities undertaken by others during the fiscal year include:

- SACRAMENTO AREA FLOOD CONTROL AGENCY (SAFCA) - NATOMAS LEVEE IMPROVEMENT PROJECT – SAFCA initiated construction of the Natomas Levee Improvement Project (NLIP) in 2007. Construction activities during the current fiscal year of 2011/2012 included:

  - Maintenance of the native grasses planted on both the landside and waterside of the Natomas Cross Canal by Restoration Resources Maintenance under contract to SAFCA as part of their three-year obligation for the establishment of the vegetation prior the District assuming responsibility for the vegetation management.
  - Vegetation was planted on the Sacramento River land and waterside of the new levee, seepage berm and operations/maintenance corridor along the SREL Reaches 2A to 9B by Restoration Resources and River Partners under contracts with SAFCA. They will be responsible for the operation, maintenance and establishment of the vegetation for a three-year period.
  - Construction was completed on the SREL Phase 2B Reaches 5A to 9B by Nordic Construction from north of Elverta Road to south of Interstate 5 (approximately

24,400 feet) and included seepage berm, cutoff wall and adjacent levee construction along with partial construction of a giant garter snake canal, irrigation canal and associated structures.

- Construction continued on the SREL Phase 3 project Reaches from south of Interstate 5 to south of Powerline Road (approximately 19,100 feet) including a seepage berm, cutoff wall and adjacent levee. Work is schedule to be completed by December 2012.
- Miscellaneous utility relocations, tree removals, structure removals, canal relocations, irrigation system relocations, mitigation and other ancillary work to support ongoing and future levee construction activities and environmental permit requirements.

The goal of the NLIP is to provide the Natomas Basin with 100-year flood protection as soon as practical and eventually 200-year flood protection soon thereafter. SAFCA's current total estimated project cost is approximately $750 million, which would be shared by SAFCA, the State of California, and Federal Government through the Army Corps of Engineers. The Corps of Engineers' total project cost estimate is $1.1 billion but includes significant contingencies on work that has already been completed. It was initially anticipated the available local (SAFCA Assessment District) and state (Proposition 1E Bond) funds would be sufficient to complete the improvements necessary to achieve 100-year flood protection for the Natomas Basin. However, current estimates show this is not the case, and it will be necessary for the Army Corps of Engineers to complete the levee improvements. This will require Congressional authorization which has not occurred due to political issues in Washington, D.C. We are seeking authorization as part of the Water Resources Development Act (WRDA) in 2013. Design and construction are dependent upon future federal appropriations. The current estimated schedule for completion of the project is in 2018 or 2019, assuming a federal authorization in 2013 and federal appropriations to match the Corp's capability.

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 assets includes the entire District's assets and liabilities, with the difference representing net assets. Over time, increases or decreases in the District's net assets is one indicator of whether its financial heath 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.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by $45.9 million at the close of the most recent fiscal year.

The largest portion of the District's net assets (85.1%) 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.

The $25,000 increase in net assets is largely due to a decrease in current year depreciation. The District does not have business-type activity to report (See Table 1).

TABLE 1
Condensed Statements of Net Assets
June 30, 2012 and 2011
(in thousands)

	Governmental Activities 2012	2011
Current and other assets	$ 7,115	$ 6,692
Capital assets	39,056	39,524
Total assets	46,171	46,216
Current and other liabilities	251	322
Net assets:		
Invested in capital assets, net	39,056	39,524
Unrestricted net assets	6,863	6,370
Total net assets	$ 45,919	$ 45,894

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.

During the fiscal year ended June 30, 2012, additions to capital assets included $116,736 for a new three-axle truck chassis, $15,779 for a flex-wing rotary mower, $26,246 for a new Dodge Truck, $7,500 for a new HVAC unit for the District office, and $2,191 for a new laptop computer. Additionally, $207,752 was recorded as construction-in-progress for the Plant 1B generator project and the Plant No. 2 reconstruction project.

There is no associated debt with any capital assets.

Change in Net Assets for Governmental Activities

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

TABLE 2
Condensed Statements of Activities
Years Ended June 30, 2012 and 2011
(in thousands)

	Governmental Activities 2012	Governmental Activities 2011
Program Revenues:		
Charges for services	$ 24	$ 112
Capital Contributions	1,120	900
General Revenues:		
Assessment revenues	2,289	2,239
Investment earnings	17	22
Miscellaneous income	54	143
Total Revenues	3,504	3,416
Expenses:		
Flood Protection	3,479	3,709
Change in net assets	25	(293)
Net assets , beginning of year	46,894	46,187
Net assets, end of year	$ 46,919	$ 45,894

The District's net assets increased by $25,205 during the current fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the fiscal year end, the District's governmental fund reported a combined fund balance of $5.7 million, an increase of $99,761 from the previous year's fund balance. This increase is due to current year revenues exceeding current year expenditures. Current receivables and future assessments will be used for future flood protection costs.

Revenues in the District's governmental funds (General Fund) were $3.5 million. Assessment revenue of $2.3 million represents 64% of revenue for the governmental funds. Expenditures from governmental funds were $3.5 million, which resulted in a surplus of $99,761.

Fund Balances

The Board has adopted a resolution establishing various types of funds. Fund 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, 2012 are assigned or committed as follows:

Fund	Fund Balance
Emergency Flood Fight – assigned	$ 1,500,000
OPEB funding – committed	499,334
General capital – assigned	1,574,606
Total assigned or committed fund balances	3,573,940
Unassigned (O&M)	2,090,007
Total fund balances	$ 5,663,947

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, 2012:

TABLE 3
Fund Revenues - Budget to Actual Comparisons

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Assessments	$ 2,238,610	$ 2,289,263	$ 50,653
Grants	1,700,000	291,268	(1,408,732)
Rents, easements, and fees for services	29,965	24,253	(5,712)
Interest	15,500	15,072	(428)
Other	40,000	53,715	13,715
Reimbursement Revenue from SAFCA	900,000	900,000	-
Finance Charges and penalties	300	1,320	1,020
Total	$ 4,924,375	$ 3,574,891	$ (1,349,484)

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 General fund were $1,349,484 less than budget. The variance resulted primarily from fewer funds received from the City of Sacramento for the Plant 1B generator project as the project was not completed during the current fiscal year. The funds not received will be budgeted in the next fiscal year to complete the Plant 1B generator project. The variance in the assessment is the difference in the amount budgeted per the initial Assessment Engineer's Report and changes made to the tax roll in land use and subdivisions as of July 15, 2011, when the final roll is submitted to the Counties.

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 4).

TABLE 4
Expenditures – Budget to Actual Comparisons

	Revised Budget	Actual	Favorable Variance
Flood Protection	$ 4,699,842	$ 3,475,130	$ 1,224,712

The original expenditure budget was amended and decreased by $13,764 to reflect minor changes of estimates to actual during midyear budget review. The large variance in budget to actual primarily reflects amounts budgeted for the Plan 1B generator project, which were not completed in the fiscal year and will be budgeted for in the new fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 20, 2012, the District has $52.29 million invested in capital assets including land, buildings, infrastructure, and equipment (See Table 5)

Table 5
Changes in Capital Assets

	As of June 30, 2012	As of June 30, 2011	Increase (Decrease)
Lands and rights of way	$ 2,168,479	$ 2,168,479	$ -
Construction-in-progress	207,752	-	207,752
Buildings, pump plants and improvements	21,618,516	21,618,516	-
Infrastructure	26,391,075	26,391,075	-
Equipment	1,905,580	1,802,784	102,796
Total capital assets	$ 52,291,402	$ 51,980,854	$ 310,548

The 2012 capital additions were:

- New Equipment: three-axle truck (116,736) and Flex-Wing Mower ($15,780)
- Vehicle – Dodge Durango ($26,246)
- New office HVAC and laptop computer ($9,690)

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

Debt Administration

As of June 30, 2012, 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 1000, CALIFORNIA

Statements of Net Assets

June 30, 2012 and 2011

	Governmental Activities 2012	Governmental Activities 2011
ASSETS		
ASSETS:		
Cash	$ 1,906,706	$ 762,937
Pooled cash and investments	3,490,974	4,648,911
Assessments receivable	103,979	53,540
Reimbursement receivable from SAFCA	900,000	900,000
Other receivables	120,745	119,753
Prepaid expenses	47,327	31,865
Inventory	174,241	174,241
Net OPEB Asset	370,979	-
Capital assets, net	39,055,533	39,524,492
TOTAL ASSETS	$ 46,170,484	$ 46,215,739
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	57,370	105,887
Accrued payroll and related	101,101	99,620
Deferred revenue	71,070	-
Net OPEB Obligation	-	94,494
Deposits	21,554	21,554
Total liabilities	251,095	321,555
NET ASSETS:		
Invested in capital assets, net of $-0- related debt	39,055,533	39,524,492
Unrestricted	6,863,856	6,369,692
Total net assets	45,919,389	45,894,184
TOTAL LIABILITIES AND NET ASSETS	$ 46,170,484	$ 46,215,739

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Statements of Activities

For the Years Ended June 30, 2012 and 2011

	2012				2011			
		Program Revenues		Net (Expense) Revenues and Changes in Net Assets		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Capital Contributions and Grants	Governmental Activities	Expenses	Charges for Services	Capital Contributions and Grants	Governmental Activities
GOVERNMENTAL ACTIVITIES:								
Flood Protection	$ 3,478,616	$ 24,253	$ 1,120,198	$ (2,334,165)	$ 3,709,474	$ 112,961	$ 900,000	$ (2,696,513)
GENERAL REVENUES:								
Assessments				2,289,263				2,238,610
Interest				15,072				21,998
Miscellaneous				55,035				143,115
Total general revenues				2,359,370				2,403,723
CHANGE IN NET ASSETS				25,205				(292,790)
NET ASSETS, BEGINNING OF YEAR				45,894,184				46,186,974
NET ASSETS, END OF YEAR				$ 45,919,389				$ 45,894,184

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

RECLAMATION DISTRICT 1000, CALIFORNIA
Balance Sheets - Governmental Fund
Years Ended June 30, 2012 and 2011

	General Fund	
ASSETS	**2012**	**2011**
Cash	$ 1,906,706	$ 762,937
Pooled cash and investments	3,490,974	4,648,911
	5,397,680	5,411,848
Receivables:		
Interest receivable	-	-
Assessments	103,979	53,540
Other	120,745	119,753
	224,724	173,293
Other assets:		
Prepaid insurance	47,327	31,865
Inventory	174,241	174,241
	221,568	206,106
TOTAL ASSETS	$ 5,843,972	$ 5,791,247
LIABILITIES AND FUND BALANCES		
Accounts payable	$ 57,370	$ 105,887
Accrued payroll and related	101,101	99,620
Deposits	21,554	21,554
Total liabilities	180,025	227,061
Unrestricted fund balances:		
Board-assigned and committed	3,573,940	2,480,404
Other	2,090,007	3,083,782
Total fund balances	5,663,947	5,564,186
TOTAL LIABILITIES AND FUND BALANCE	$ 5,843,972	$ 5,791,247

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Reconciliation of the Balance Sheets to Statements of Net Assets

June 30, 2012 and 2011

	2012	2011
TOTAL GOVERNMENTAL FUND BALANCE	$ 5,663,947	$ 5,564,186
Amounts reported for governmental activities but not included in the governmental fund:		
Non-financial resources:		
Capital assets, net	39,055,533	39,524,492
Deferred revenue	(71,070)	-
Net OPEB asset (obligation)	370,979	(94,494)
Reimbursement receivable from SAFCA	900,000	900,000
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 45,919,389	$ 45,894,184

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
Statements of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Fund
Years Ended June 30, 2012 and 2011

	General Fund	
	2012	**2011**
REVENUES:		
Property assessments	$ 2,289,263	$ 2,238,610
Grants (FEMA)	109,438	-
Rents, easements, and fees for services	24,253	112,961
Interest	15,072	21,998
Other	53,715	141,759
Reimbursement revenue from SAFCA	900,000	-
Capital Reimbursements	181,830	-
Finance charges and penalties	1,320	1,356
Total revenues	3,574,891	2,516,684
EXPENDITURES:		
Flood Protection:		
Operations	1,692,302	1,794,326
Administration	1,306,901	799,388
Capital outlay	475,927	227,667
Total expenditures	3,475,130	2,821,381
NET CHANGE IN FUND BALANCE	99,761	(304,697)
FUND BALANCE, BEGINNING OF YEAR	5,564,186	5,868,883
FUND BALANCE, END OF YEAR	$ 5,663,947	$ 5,564,186

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA

Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances to Statements of Activities

June 30, 2012 and 2011

	2012	2011
NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	99,761	$ (304,697)
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	376,204	175,035
Current year depreciation expense	(845,163)	(1,036,988)
Recognition of receivable from SAFCA recognized in governmental activities	-	900,000
Revenue deferred and not recognized in governmental activities	(71,070)	-
Difference in OPEB annual required contribution and funding paid in the current year	465,473	(26,140)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 25,205	$ (292,790)

The accompanying notes are an integral part of the financial statements

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 eight 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
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 assets 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 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 except those required to be accounted for in another fund.

The Board of Trustees has assigned and/or committed fund balances of $3,573,940 of the $5,663,947 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 not established a specific Nonspendable Fund at this time.

- **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:
    - Metro Airpark Groundwater Pumping fund to pay pumping costs for the discharge of groundwater received from the County's Metro Airpark detention basin into the Sacramento River. These funds will be used annually to offset pumping costs generally at Pumping Plant No. 3 and will likely have a zero balance at each fiscal year-end.

- **Committed Fund Balance** – for funds set aside for specific purposes by the District's highest level of decision-marking authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. These committed funds cannot be used for 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. At the time of adoption of this resolution, the Board of Trustees established the following committed funds balances:

    - Other Post Employment Benefits (OPEB fund) – The District will commit the total expected unfunded liability balance for past service, amortization being paid over the period of ten years. As of the most recent actuarial valuation, the unfunded liability for past service is established as $998,668, of which 50 percent ($499,334) has been deposited in the CERBT. The OPEB unfunded liability balance is subject to change every two years when a biennial actuarial valuation is completed.

- **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, 2012, District management has assigned $1,500,000 for the Emergency Food Fight Fund and $1,574,606 for the General Capital fund.

- **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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Governmental Fund Net Assets. The Statement of Revenues, Expenditures, and Changes in Fund Net Assets presents increases (i.e. revenues) and decreases (i.e. expenditures) in net assets. The Statement of Cash Flows of a proprietary fund provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 and would apply all Governmental

Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations.

For the years ended June 30, 2012 and 2011, the District has no proprietary funds.

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 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.

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.

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 $2,500 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:

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 will 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.

Additionally, the District began two construction projects during the current fiscal year. The related costs are capitalized as construction in progress within capital assets and will be depreciated once the project is complete and the assets are in-service.

Other Postemployment Benefits
In addition to the pension benefits described in Note 4, the District provides other postemployment healthcare benefits to all employees who retire from the District on or after

attaining age fifty-five with five or more years of service in accordance with CalPERS statutes. The District pays up to a maximum amount based upon the number of family members the retiree requests to be covered. The retiree can opt for lower pension benefits in exchange for spousal coverage after the retiree's death. If the retiree opts for full coverage, the spouse then receives a one-time $500 payment upon the retiree's death as part of the plan. At age sixty-five, coverage is reduced to include only a supplement to Medicare. For the years ended June 30, 2012 and 2011, those costs totaled $47,133 and $54,852, respectively, for benefits paid on behalf of seven eligible retirees. During the current fiscal year, The District joined the California Employees Benefit Trust (CERBT) and paid approximately 50 percent ($499,334) of the actuarial accrued unfunded liability of $998,668 into such trust. These funds will be used to pay future retiree healthcare premiums.

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 $65,435 and $57,950 as of June 30, 2012 and 2011, respectively, has been recorded as a current 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.

Subsequent Events
Management has evaluated subsequent events through November 2, 2012, the date on which the financial statements were available to be issued.

New Accounting Pronouncements
In December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation.

The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The District is required to implement the provisions of the Statement for the current fiscal year (effective for periods beginning after June 15, 2011). This Statement did not result in a change in current practice because the District does not use the alternative measurement method.

In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The District has no known SCAs that would require disclosure or have a material effect on the financial statements of the District.

In November of 2010, GASB issued GASBS No. 61, *The Financial Reporting Entity: Omnibus.* This Statement amends Statements No. 14 and 34, to modify certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes GASBS No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2011, GASB issued GASBS No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2011, GASB issued GASBS No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* This Statement amends Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District is required to implement the provisions of this Statement for the current fiscal year (effective for periods beginning after June 15, 2011). Because District investment policy prohibits derivative instruments, this Statement did not result in a change in current practice, or have a material effect on the financial statements of the District.

In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.* This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The District is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25.* The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement and Statement No. 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented.

Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, including cost-sharing multi-employer pension plans, in which the District participates. Cost-sharing plans are those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due. The District is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013). This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District.

In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified into categories. Cost-sharing employers, such as the District, are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans. Cost-sharing plans are pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

Cost-sharing employers
In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.

In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. Cost-sharing employers also should disclose information about how their contributions to the pension plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) information about required contributions, contributions to the pension plan, and related ratios. The District is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District.

2. CASH AND INVESTMENTS

As of June 30, 2012 and 2011, the carrying amount of the District's bank deposits (including money market funds) was $1,906,706 and $762,937, respectively, and the bank balances were

$1,965,821 and $817,263, respectively, excluding outstanding checks. Of the bank balances, the Federal Depository Insurance Corporation insured $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.

Pooled Cash and Investments

Pooled cash and investments as of June 30, 2012 and 2011 consist of the following:

	2012	2011
Cash and investments in Sacramento County Treasury	$ 3,287,433	$ 3,947,142
Cash and investments in State of California Treasury (LAIF)	203,542	701,769
Total pooled cash and investments	$ 3,490,975	$ 4,648,911

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.

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.

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, 2012, the weighted average maturity of investments is approximately 259 days and 270 days for investments held in the County 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. The LAIF investment pool does not have a rating provided by a nationally recognized statistical rating organization. In addition, a current rating of the County Treasury was not available as of June 30, 2012.

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 100% 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.

3. CAPITAL ASSETS

A summary of changes to capital assets for the year ended June 30, 2012, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2011	Additions	Disposals	June 30, 2012
Land and rights of way	$2,168,479	$ -	$ -	$2,168,479
Construction in progress	-	207,752		207,752
Infrastructure	26,391,075	-	-	26,391,075
Building & improvements	1,128,335	-	-	1,128,335
Pump equipment & improvements	20,490,181	-	-	20,490,181
Equipment	1,127,114	132,516	-	1,259,630
Vehicles	618,512	26,246	(65,626)	579,132
Office equipment	57,127	9,690	-	66,817
	51,980,823	376,204	(65,626)	52,291,401
Accumulated depreciation	(12,456,331)	(845,163)	65,626	(13,235,868)
	$39,524,492	$ (468,959)	$ -	$39,055,533

A summary of changes to capital assets for the year ended June 30, 2011, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2010	Additions	Disposals	June 30, 2011
Land and rights of way	$2,168,479	$ -	$ -	$2,168,479
Infrastructure	26,391,075	-	-	26,391,075
Building & improvements	1,122,194	6,141	-	1,128,335
Pump equipment & improvements	20,490,181	-	-	20,490,181
Equipment	1,072,713	164,415	(110,014)	1,127,114
Vehicles	618,512	-	-	618,512
Office equipment	52,648	4,479	-	57,127
	51,915,802	175,035	(110,014)	51,980,823
Accumulated depreciation	(11,529,357)	(1,036,988)	110,014	(12,456,331)
	$40,386,445	$ (861,953)	$ -	$39,524,492

Depreciation expense for the years ended June 30, 2012 and 2011 was $845,163 and $1,036,988, respectively, and was charged to the single function of the District: flood protection.

4. DEFINED BENEFIT PENSION PLAN

Plan Description

The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan beneficiaries. Through June 30, 2005, the plan was part of the public agency portion of the California Public Employees Retirement System (CalPERS), one of their single agency pools administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

In 2003, Assembly Bill 1974 gave full authority to the CalPERS Board to implement pooling. Pooling is now mandatory for all public agency plans with less than 100 active members. All plans in a pool have the same basic benefit formula. In order to ensure similarity of other benefit provisions within the pool, the CalPERS Board mandated certain benefits for all pooled plans effective July 1, 2005. For these and other reasons, pooled plans have a mandatory "fresh start" of amortization bases over the net period effective for the multiple bases. As such, the District is now participating in a cost-sharing multiple-employer defined benefit pension plan entitled Miscellaneous Plan with a benefit formula of 2%@55.

During the year ended June 30, 2012, the District contracted for a "2nd Tier" retirement plan based on a benefit formula of 2%@60 with the last three employment years' compensation used to determine the benefit for all individuals employed by the District on or subsequent to September 1, 2011. The effect of this new plan will be reflected in subsequent actuarial studies.

Funding Policy Contribution Rates

The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011/12 was 15.049%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal years 2011/2012 and 2010/2011, Reclamation District 1000's annual pension costs were $120,817 and $110,742, respectively, and the District actually contributed $120,826 and $111,483, respectively, for the years ended June 30, 2012 and 2011. The required contribution for fiscal year 2011/2012 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a) 7.75% investment rate of return (net of administrative expenses); b) projected overall payroll growth rate of 3.25%, and c) 3.0% inflation rate.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period, with the exception of gains and losses in fiscal years 2009, 2010 and 2011, in which each year's gains or losses will be isolated and amortized over fixed and declining 30-year periods (as approved per the current rolling 30-year amortization). If a pool's accrued liability exceeds the actuarial value of the assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

The District contributed 100% of the CalPERS computed annual pension cost for each of the past three years.

Funded Status and Funding Progress of Plan

The following data has been derived from the latest actuarial valuation report date, June 30, 2010:

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/06	$2,754,396,608	$2,636,941,527	$262,170,432	90.5%	$699,897,835	37.5%
06/30/07	$2,611,746,790	$2,391,434,447	$220,312,343	91.6%	$665,522,859	33.1%
06/30/08	$2,780,280,768	$2,547,323,278	$232,957,490	91.6%	$688,606,691	33.8%
06.30/09	$3,104,798,222	$2,758,511,101	$346,287,121	88.9%	$742,981,488	46.6%
06/30/10	$3,309,064,934	$2,946,408,106	$362,656,828	89.0%	$748,401,352	48.5%

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. Those benefits are fully vested. The plan also provides for dependent coverage. The District's benefit cap for a single individual is $434 per month; the two-party benefit cap is $868 per month; and the family benefit cap is $1,125 per month.

Subsequent to June 30, 2012, the District modified its contract with CalPERS to reflect a 75/25 employer/employee cost share for current employees and retirees.

Funding Policy. During the year ended June 30, 2012, the District contracted with the CalPERS Employee Retirement Benefit Trust Fund to administer the plan and provide a funding vehicle. As such, the District funded $499,334 in the trust, which approximated 50% of the accrued liability of $998,668, according to the latest actuarial valuation. In addition, as of June 30, 2012 the Board of Trustees has committed the balance of the unfunded liability to be paid over a ten-year period.

Postemployment healthcare benefits have been 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 11.94% of the annual covered payroll, based on the most recent actuarial report dated June 30, 2011.

Annual OPEB Cost. In accordance with the requirements of GASB 45, the District obtains an OPEB actuarial study once every two years. It is the District's policy to use a level Annual Required Contribution, as calculated on the latest actuarial study, on "off years'. The District's annual OPEB cost was $80,994 and $80,994, respectively, for the years ended 2012 and 2011. 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 are as follows:

Fiscal year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Amount Funded	Net OPEB Asset
6/30/09	$ 94,334	68.4%	$ (29,852)	$ -	$ -
6/30/10	$ 94,334	59.2%	$ (68,354)	-	-
6/30/11	$ 80,994	67.7%	$ (94,494)	-	-
6/30/12	$ 80,994	100.0%	$ (128,355)	499,334	370,979

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, 2012 and 2011:

	2012	2011
Normal cost	$ 20,640	$ 20,640
UAAL amortization	59,643	59,643
Residual UAAL amortization	711	711
Total annual required contribution	80,994	80,994
Pay-As-You-Go cost	47,133	54,854
Addition to Net OPEB obligation	$ 33,861	$ 26,140

Funded Status and Funding Progress. The schedule of funding progress and funded status of the plan as of June 30, 2012 and 2011 was as follows:

	2012	2011
Actuarial accrued liability (AAL)	$ 998,668	$ 998,668
Actuarial value of plan assets	465,473	-
Unfunded actuarial accrued liability (UAAL)	533,195	998,668
Funded ratio (actuarial value of plan assets/AAL)	46.61%	0%
Covered payroll (active plan members)	$ 713,582	$ 678,286
UAAL as a percentage of covered payroll	75%	147%

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.

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

Valuation date	June 30, 2011
Actuarial cost method	Entry age, Normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	Not applicable
Investment rate of return (funded)	7.06%
Salary increase	3.0%
Inflation	3.0%
Healthcare trend rate	3.0%

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 2011/2012 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.

REQUIRED SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT 1000, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Years Ended June 30, 2012 and 2011

	2012				2011			
	Original Budget	Final Amended Budget	Actual	Favorable/ (unfavorable)	Original Budget	Final Amended Budget	Actual	Favorable/ (unfavorable)
REVENUES:								
Property assessments	$ 2,238,610	$ 2,238,610	$2,289,263	$ 50,653	$ 2,228,000	$ 2,228,000	$2,238,610	$ 10,610
Grants	1,700,000	1,700,000	291,268	(1,408,732)	-	-	-	-
Rents, easements, and fees for services	18,800	29,965	24,253	(5,712)	36,380	36,380	112,961	76,581
Interest	28,000	15,500	15,072	(428)	37,500	37,500	21,998	(15,502)
Other	40,000	40,000	53,715	13,715	15,000	15,000	141,759	126,759
Reimbursement revenue from SAFCA	900,000	900,000	900,000	-	900,000	900,000	-	(900,000)
Finance charges and penalties	300	300	1,320	1,020	300	300	1,356	1,056
Total revenues	4,925,710	4,924,375	3,574,891	(1,349,484)	3,217,180	3,217,180	2,516,684	(700,496)
EXPENDITURES:								
Flood Protection:								
Operations	1,758,405	1,798,150	1,692,302	105,848	1,679,354	1,699,354	1,794,326	(94,972)
Administration	971,201	921,910	1,306,901	(384,991)	846,600	889,900	799,388	90,512
Capital outlay	1,984,000	1,979,782	475,927	1,503,855	225,000	225,000	227,667	(2,667)
Total expenditures	4,713,606	4,699,842	3,475,130	1,224,712	2,750,954	2,814,254	2,821,381	(7,127)
NET CHANGE IN FUND BALANCE	212,104	224,533	99,761	(124,772)	466,226	402,926	(304,697)	(707,623)
FUND BALANCE, BEGINNING OF YEAR	5,564,186	5,564,186	5,564,186	-	5,868,883	5,868,883	5,868,883	-
FUND BALANCE, END OF YEAR	$ 5,776,290	$ 5,788,719	$ 5,663,947	$ (124,772)	$ 6,335,109	$ 6,271,809	$ 5,564,186	$ (707,623)

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
Schedule of Expenditures - Budget and Actual - Governmental Fund
Years Ended June 30, 2012 and 2011

	2012				2011			
	Original Budget	Final Amended Budget	Actual	Variance	Original Budget	Final Amended Budget	Actual	Variance
OPERATIONS:								
Power	$ 400,000	$ 400,000	$ 325,709	$ 74,291	$ 400,000	$ 400,000	$ 467,050	$ (67,050)
Utilities	19,000	19,000	24,123	(5,123)	18,000	18,000	17,434.00	566
Herbicides	50,000	50,000	28,378	21,622	50,000	50,000	46,920.00	3,080
Field services	75,000	75,000	67,927	7,073	75,000	75,000	38,591.00	36,409
Consultants	25,000	25,000	16,839	8,161	25,000	25,000	23,544.00	1,456
Materials and supplies	20,000	20,000	25,138	(5,138)	20,000	20,000	19,365.00	635
County fees - field	2,000	2,000	1,418	582	-	-	1,701.00	(1,701)
Refuse collection	10,000	10,000	6,775	3,225	9,000	9,000	4,138.00	4,862
Memberships - field	-	-	80	(80)	-	-	-	-
Compensation	772,405	772,405	789,914	(17,509)	727,354	727,354	830,654.00	(103,300)
Fuel	100,000	100,000	70,461	29,539	55,000	80,000	81,181.00	(1,181)
Equipment repairs and rental	35,000	35,000	17,455	17,545	75,000	72,000	15,012.00	56,988
Equipment supplies	50,000	50,000	63,487	(13,487)	50,000	48,000	38,045.00	9,955
Contingency	5,000	5,000	-	5,000	5,000	5,000	12,144.00	(7,144)
Facility repairs	160,000	199,745	217,131	(17,386)	140,000	140,000	174,597.00	(34,597)
Off Duty Patrol	35,000	35,000	37,467	(2,467)	30,000	30,000	23,950.00	6,050
	$ 1,758,405	$ 1,798,150	$ 1,692,302	$ 105,848	$ 1,679,354	$ 1,699,354	1,794,326.00	$ (94,972)
ADMINISTRATION:								
Assessment	$ 40,000	$ 40,000	$ 33,873	$ 6,127	$ 40,000	$ 40,000	$ 34,899	$ 5,101
Office supplies and equipment	25,500	25,500	20,450	5,050	11,000	13,000	14,032.00	(1,032)
Liability and auto insurance	125,000	121,400	108,023	13,377	110,000	110,000	111,162.00	(1,162)
Uninsured losses	1,000	1,000	1,000	-	1,000	1,000	1,877.00	(877)
Group insurance	121,710	121,710	90,289	31,421	95,000	162,300	161,351.00	949
Dental/vision insurance	13,000	16,600	17,967	(1,367)	13,000	13,000	11,876.00	1,124
Workers' compensation insurance	30,000	30,000	31,385	(1,385)	25,000	25,000	32,387.00	(7,387)
Memberships	31,000	31,000	29,927	1,073	30,000	30,000	27,542.00	2,458
Legal	80,000	80,000	58,003	21,997	98,500	78,500	63,386.00	15,114
Engineering/Consultants	105,000	105,000	47,436	57,564	90,000	76,500	61,875.00	14,625
Public relations, legislative analyst	40,000	46,200	46,079	121	40,000	40,000	7,405.00	32,595
Audit	13,000	13,000	11,140	1,860	13,000	13,000	11,090.00	1,910
Administrative services	22,100	22,100	19,633	2,467	26,200	26,200	18,289.00	7,911
Payroll taxes	60,947	60,947	63,920	(2,973)	55,500	55,500	67,070.00	(11,570)
Pension	121,944	121,944	120,826	1,118	110,000	110,000	111,484.00	(1,484)
Trustees fees	33,000	33,000	40,275	(7,275)	33,100	33,100	36,398.00	(3,298)
County fees	1,500	1,500	-	1,500	3,500	3,500	2,023	1,477
Mitigation land taxes	3,500	3,500	3,609	(109)	2,200	9,700	9,552	148
Urbanization committee	10,000	3,800	-	3,800	5,000	5,000	-	5,000
Propery Taxes (SAFCA CAD)	3,000	3,000	2,358	642	2,500	2,500	2,376	124
Election Costs	50,000	709	709	-	-	-	-	-
OPEB - ARC	30,000	30,000	80,994	(50,994)	30,000	30,000	-	30,000
OPEB - Prefunding	-	-	465,473	(465,473)				
Other	10,000	10,000	13,532	(3,532)	12,100	12,100	13,314	(1,214)
	$ 971,201	$ 921,910	$ 1,306,901	# $ (384,991)	$ 846,600	$ 889,900	799,388	# $ 90,512
CAPITAL OUTLAY:								
Emergency repairs	$ -	$ -	$ 91,738	$ (91,738)	$ -	$ -	$ 54,101	$ (54,101)
Facility repairs	65,000	65,000	5,185	59,815	25,000	25,000	-	25,000
Vehicles/Equipment	169,000	164,782	161,561	3,221	200,000	200,000	170,555	29,445
Capital Projects (1b & #2)	1,700,000	1,700,000	207,752	1,492,248				
Elverta Road Easement	50,000	50,000	0	50,000				
Office/Field Equipment	-	-	9,691	(9,691)	-	-	3,011	(3,011)
	$ 1,984,000	$ 1,979,782	$ 475,927	$ 1,503,855	$ 225,000	$ 225,000	$ 227,667	$ (2,667)

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000

Note to Required Supplementary Information – Budgetary Data

1. **Budgetary Data**

   In accordance with Government Code, a District budget is adopted 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. Minor line item adjustments were made to the original budget during the 2011/2012 and the final approved budget for 2011/2012 is presented in these financial statements. Similarly, minor line item adjustments were made to the original 2010/2011 budget and the final approved budget for 2010/2011 is presented in these financial statements.

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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 the financials statements of the governmental activities of Reclamation District 1000, California (the District), as of and for the year ended June 30, 2012, which comprise the basic financial statements of Reclamation District 1000, California and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the District are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 material instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This communication is intended solely for the information and use of management and individuals charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
November 2, 2012