RECLAMATION DISTRICT NO. 1000, CALIFORNIA

Audited Financial Statements
and Other Reports

June 30, 2020 and 2019

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and Other Reports

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reclamation District No. 1000
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Reclamation District No. 1000 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

To the Board of Trustees
Reclamation District 1000

Opinions

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 the District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of Matters

As discussed in Note F to the financial statements, the District's actuary applied Section 3.7.7(c)4 of Actuarial Standard of Practice No. 6, as revised, and determined age adjusted health insurance premiums are not necessary in the calculation of the District's net other postemployment benefits (OPEB) liability, and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments. Had the actuary included age adjusted health insurance premiums in the calculation of the net OPEB liability, the OPEB liability may have been significantly larger in the amount. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures – budget and actual – is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Trustees
Reclamation District 1000

Prior Year Financial Statements

The financial statements of the District as of and for the year ended June 30, 2019 were audited by other auditors whose report dated December 4, 2019 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 1, 2020

Our discussion and analysis of the 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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

- At the end of the year, the District's net position is $51.2 million, of which $42.5 million is invested in capital assets and $8.7 million is unrestricted.
- As of June 30, 2020, the District's General Fund reported a total fund balance of $9.6 million, of which $9.5 million has been assigned or committed by the Board.
- The District's capital asset balances were $42.5 million at year-end, decreasing slightly due to $866 thousand in capital additions offset by $1.4 million in depreciation.
- The District has no long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets and deferred outflows of resources less liabilities and deferred inflows of resources equaled $51.2 million at the close of the most recent fiscal year.

The largest portion of the District's net position (83%) 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.

TABLE 1
Condensed Statement of Net Position
June 30, 2020, 2019 and 2018
(in thousands)

	2020	2019	2018
Current and other assets	$ 9,996	$ 10,743	$ 9,658
Capital assets	42,523	43,036	43,771
Total assets	52,519	53,779	53,429
Deferred outflows of resources	$ 593	$ 389	$ 469
Current and other liabilities	$ 1,808	$ 2,587	$ 2,033
Deferred inflows of resources	$ 67	$ 58	$ 50
Net position:			
Invested in capital assets, net	$ 42,523	$ 43,036	$ 43,771
Unrestricted net position	8,714	8,487	8,044
Total net position	$ 51,237	$ 51,523	$ 51,815

Capital Assets, Net of Related Debt

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

The 2019-2020 capital purchases and additions were:

- Building improvements: roof repair for Plant 1, $23,000; new security system, $9,000
- Equipment: two utility tractors, $117,000; Tiger mower, $180,000
- Vehicles and equipment: six maintenance trucks and related equipment, $286,000
- Office equipment: office furniture, $14,000; office copier, $10,000; computer server, $9,000
- SCADA system: An additional $205,000 was added to the SCADA construction in progress during the fiscal year

The 2018-2019 capital purchases and additions were:

- Equipment: Caterpillar truck, $90,000; Dodge truck $57,000
- Office equipment: Office improvements and furnishings, $57,000
- Pump equipment and improvements: Sealing and asphalt repair, $31,000
- SCADA system: An additional $375,000 was added to the SCADA construction in progress during the fiscal year.

The District depreciates capital assets using the straight-line method over the estimated lives of the assets. During the 2020 and 2019 fiscal year, $1,379,398 and $1,338,628 respectively in depreciation expense was recognized.

There is no associated debt with any capital assets.

Change in Net Position for Governmental Activities

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

TABLE 2
Condensed Statement of Activities
Years Ended June 30, 2020, 2019 and 2018
(in thousands)

	2020	2019	2018
Program Revenues:			
Charges for services	$ 57	$ 29	$ 20
Operating grants	1,400	1,400	1,400
Capital Contributions	703	388	510
General Revenues:			
Assessment revenues	2,305	2,279	2,268
Investment earnings	171	180	94
Miscellaneous income	2	13	24
Total Revenues	4,638	4,289	4,316
Expenses:			
Flood Protection	4,924	4,581	4,558
Change in net position	(286)	(292)	(242)
Net position, beginning of year	51,523	51,815	52,057
Net position, end of year	$ 51,237	$ 51,523	$ 51,815

The District's net position decreased by $285,855 during the current fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At fiscal year end June 30, 2020, the District's governmental fund reported a combined fund balance of almost $9.6 million, an increase of $594 thousand from the previous year's fund balance. This increase is due to current year revenues exceeding current year expenditures. Of the total $9.6 million fund balances, approximately $9.5 million has been assigned for specific purposes, and $79 thousand in prepaid expenses is considered nonspendable.

Revenues in the District's governmental funds were $4.8 million in fiscal year 2019/20. Assessment revenue of $2.3 million represents 48% of revenue for the governmental funds. Expenditures from governmental funds were $4.2 million, which resulted in a change in fund balance of $593,882.

At fiscal year end June 30, 2019, the District's governmental fund reported a combined fund balance of almost $9.0 million, an increase of $551 thousand from the previous year's fund balance. This increase is due to current year revenues exceeding current year expenditures. Of the total $9.0 million fund balances, approximately $8.9 million has been assigned for specific purposes, and $65 thousand is considered nonspendable.

Revenues in the District's governmental funds were $4.4 million in fiscal year 2018/19. Assessment revenue of $2.3 million represents 52.3% of revenue for the governmental funds. Expenditures from governmental funds were $3.8 million, which resulted in a change in fund balance of $550,655.

Fund Balances

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

Fund balances as of June 30, 2020 and 2019 are as follows:

TABLE 3
Fund Balances
June 30, 2020 and 2019

Fund Type	June 30, 2020 Fund Balance	June 30, 2019 Fund Balance
Nonspendable fund balance	$ 78,909	$ 64,870
Assigned fund balances:		
Emergency Flood Fight	1,500,000	1,500,000
General capital	4,629,578	4,146,187
Operating reserve	3,356,457	3,260,005
Total assigned fund balances	9,486,035	8,906,187
Unassigned	-	-
Total fund balances	$ 9,564,944	$ 8,971,062

GENERAL BUDGETARY HIGHLIGHTS

The following is a summary of budget and actual results for the District's General Fund revenues and other financing sources for the years ended June 30, 2020 and 2019:

TABLE 4
Fund Revenues - Budget to Actual Comparisons
Year Ended June 30, 2020

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property assessments	$ 2,250,000	$ 2,306,058	$ 56,058
O & M reimbursement from SAFCA	1,400,000	1,400,000	-
Capital contributions and grants	574,000	898,023	324,023
Fees for service	-	36,054	36,054
Use of money and property	85,000	192,150	107,150
Other	-	2,549	2,549
Total	$ 4,309,000	$ 4,834,834	$ 525,834

Fund Revenues - Budget to Actual Comparisons
Year Ended June 30, 2019

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property assessments	$ 2,250,000	$ 2,259,046	$ 9,046
O & M reimbursement from SAFCA	1,400,000	1,400,000	-
Reimbursements from CalOES	-	507,778	507,778
Fees for services	-	9,115	9,115
Use of money and property	70,000	200,377	130,377
Other	-	6,757	6,757
Total	$ 3,720,000	$ 4,383,073	$ 663,073

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 recognized by the District's Governmental Fund were $525,834 more than budget in fiscal year 2019/20. The variance resulted primarily from the Natomas Central Mutual Water Company capital reimbursement not budgeted for in fiscal 2020 and interest income realization being more than expected.

Actual revenues recognized by the District's Governmental Fund were $663,073 more than budget in fiscal year 2018/19. The variance resulted primarily from the CalOES reimbursement not budgeted for in fiscal 2019 and interest income realization being more than expected.

Actual Expenditures/Other Financing Uses Compared with Final Budgeted Amounts

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

TABLE 5

Fund Expenditures – Budget to Actual Comparisons
Year Ended June 30, 2020

	Budget	Actual	Favorable (Unfavorable) Variance
Flood Protection:			
Maintenance and operation	$ 3,054,938	$ 2,673,063	$ 381,875
Administration	1,002,900	701,665	301,235
Capital outlay	737,100	866,224	(129,124)
Total expenditures	$ 4,794,938	$ 4,240,952	$ 553,986

Fund Expenditures – Budget to Actual Comparisons
Year Ended June 30, 2019

	Budget	Actual	Favorable (Unfavorable) Variance
Flood Protection:			
Operations	$ 2,690,000	$ 2,454,907	$ 235,093
Administration	900,000	779,967	120,033
Capital outlay	1,045,150	609,544	435,606
Total expenditures	$ 4,635,150	$ 3,844,418	$ 790,732

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District has $65.8 million invested in capital assets including land, buildings, infrastructure, and equipment before depreciation (See Table 6).

Table 6
Changes in Capital Assets

	As of June 30, 2020	As of June 30, 2019	Increase (Decrease)
Lands and rights of way	$ 2,221,333	$ 2,208,583	$12,750
Buildings, pump plants and improvements (including construction in progress)	33,516,581	33,278,766	237,815
Infrastructure	26,514,781	26,514,781	-
Equipment and vehicles	3,519,860	2,943,152	576,708
Total capital assets	$ 65,772,555	$ 64,945,282	$ 827,273

During the year, the District received a Flood Maintenance Assistance Program (FMAP) grant for $570,000; of this amount, $305,100 was budgeted for field equipment additions for fiscal 2020. With this funding, two tractors and a mower were acquired at a cost of $296,579.

As of June 30, 2019, the District has $64.9 million invested in capital assets including land, buildings, infrastructure, and equipment before depreciation (See Table 7).

Table 7
Changes in Capital Assets

	As of June 30, 2019	As of June 30, 2018	Increase (Decrease)
Lands and rights of way	$ 2,208,583	$ 2,208,583	$ -
Buildings, pump plants and improvements (including construction in progress)	33,278,766	32,856,655	422,111
Infrastructure	26,514,781	26,514,781	-
Equipment and vehicles	2,943,152	2,767,719	175,433
Total capital assets	$ 64,945,282	$ 64,347,738	$ 597,544

Debt Administration

As of June 30, 2020 and 2019 , the District had no long-term debt.

CAPITAL PROJECTS

- ***Capital Improvement Plan (update)***

  The Board of Trustees approved a Professional Services Agreement with Kjeldesn, Sinnock & Neudeck, INC. (KSN) on November 8, 2019 to update the District's Capital Improvement Plan. KSN completed the Capital Improvement Plan Update (CIP) in August 2020.

  Focusing on the pumping system, to identify improvements to allow the District to carry out its mission of flood protection, the CIP was developed by the following methods:

  - Ranking how critical a Pumping Plant is by the capacity to remove precipitation from the basin and the importance of the area it serves – a criticality rating or consequence of failure
  - Determining how likely a Pumping Plant is to fail to perform as designed, or likelihood of failure.
  - Determining relative risk for each Pumping Plant, which is a combination of the consequence of failure and likelihood of failure.

  Potential projects to address potential deficiencies were identified by the following methods:

  - Field condition assessment of each Pumping Plant
  - Establishing of the Level of Service each plant would optimally provide and comparing performance against the criteria
  - Defining the typical life cycle for the major Pumping Plant components, including major cost- effective maintenance items to extend the useful life.

  In several cases two or more of the above methods identified potential projects at pumping plants. The results of the Condition assessment, Level of Service, and Life Cycle Analysis showed that the system is overall in good working order, with several of its plants replaced within the last decade. Of the District's two most critical Pumping Plants, Plant 1B was found to be in very good working order, with some projects needed to maintain its condition, while Plant 8 has several life cycle replacements that are coming due concurrently resulting in a major overhaul project, plus the outfall pipe has premature wearing and is recommended for evaluation and remediation up to replacement.

  As the most critical plants, major replacements are recommended for Plant 8 and a handful of smaller improvement and life cycle replacements for Plant 1B. Other replacements mostly tied to life cycle and upgrades such as backup power generation were recommended to increase the reliability of the overall system. Over a 30-year planning horizon, a program of upgrades to maintain reliability of the system resulted in the following un-escalated CIP expenditures for Pumping Plants:

  - $30.9 million (M) in the first decade 2021-2030, with $28.1M planned in the first 6 years.

- $8.1M over years 2031-2040
- $26.9M over years 2041-2050, with several recently replaced critical components reaching the end of their useful lives.

In addition to $65.9M for Pumping Plants over 30 years, the following expenditures are recommended to be budgeted:

- Annual budget of $55,000 to perform cost-effective preventive maintenance is recommended for the duration of the CIP, or $1.65M over 30 years.
- Annual budget of $900,000 for life cycle replacement of culverts and drains, or $27M over 30 years.

The net recommended budget for the portion evaluated is $94.55M from 2021-2050, or an average of nearly $3.2M per year. The above costs were left un-escalated so implementation can be modified and adjusted into the District's financial plan which is currently being formulated.

Supervisory Control and Data Acquisition System (SCADA)

The District adopted a SCADA (Supervisory Control and Data Acquisition) Master Plan in 2017. With its implementation, the District will be able to remotely monitor canal levels and operations at its pumping stations. This will improve public safety and allow for a more efficient monitoring and operations of its interior drainage and flood control system. Eventually, the SCADA system can be expanded to allow for remote operations of its pumping plants, as well as security monitoring in the future. In FY 2017-2018, the District completed plans and specifications for implementing Phase 1 of the SCADA system; a portion of the costs are eligible for reimbursement through a Bureau of Reclamation federal grant coordinated through an agreement with the Natomas Mutual Water Company. A contract for construction of the Phase 1 facilities was awarded in July 2018 in the amount of $448,000.

As of June 30, 2020, the Phase 1 SCADA system was largely complete with final punch-list items remaining to be finished by the contractor. Project is anticipated to be closed out by December 31, 2020.

Significant Capital Projects on District Facilities Undertaken By Others

The Natomas Levee Improvement Project (NLIP):

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

It is anticipated that the remaining work will be completed by the USACE as part of the Natomas Basin Project authorized by Congress in the 2014 Water Resources Reform and Development Act (WRRDA). Despite the availability of federal funds, construction had been delayed due to construction contracting issues. However, work commenced in August 2018 on Reach D along the Natomas Cross Canal and additional construction contracts were awarded for construction in 2019, which are under construction as of June 30, 2020. Additionally, the USACE completed designs/specifications on Reach B improvements and awarded a construction contract in late 2019; Reach B improvements were initiated in June 2020.

Completion of the entire project is anticipated by 2024 or 2025. However, this schedule is dependent on annual federal appropriations and the timely acquisition of necessary rights of way and relocations of utilities, which interfere with the levee improvements.

OPERATIONS AND MAINTENANCE

The District saw significant rainfall in the 2018-2019 flood season. After a mostly dry fall and early winter, several large storms moved through the area beginning in February 2019 through May 2019. Between the period of February 14, 2019 and April 15, 2019, the District was on 24-hour patrol for 37 days, as required by the District's Emergency Action Plan when river levels reached monitoring stages. However, drier weather patterns returned during the 2019-2020 flood season, and the District was on 24-hour patrol for only a handful of days as a result.

Outside of the flood season, the District performed normal operations and maintenance activities including mowing canals/levees; spraying both terrestrial and aquatic pesticides to manage the vegetation, minor repairs to facilities, garbage/debris removal and pump station maintenance. As was the case in 2017-2018 and 2018-2019, the District continues to experience a considerable increase in unauthorized encampment activity within its floodways. This activity resulted in a significant increase in trash and debris removal and impacted the District's efficiency in other operations due to the presence of unauthorized encampments within the floodway. As was the case in 2018-2019, the District worked with the Central Valley Flood Protection Board and California Assembly Member Jim Cooper to introduce Assembly Bill No. 1958, to address the critical safety infrastructure of the levee system and restrict certain activities. After unanimous support in the Assembly, AB 1958 was unfortunately withdrawn by the bill author after it became evident that the legislation was not going to make it through the Senate without significantly modifying the bill's language, which would have eroded its' efficacy.

As noted in previous years, the District has assumed full operations and maintenance responsibility for all 21 miles of levee improvements completed to date as part of the NLIP, including the remaining grassland vegetation along the levees. While the levees are improved and significantly reduce the flood risk in the District, they include a much larger footprint to operate and maintain. The District is currently studying options for the most efficient method to maintain the expanded levee footprint and is developing an Annual Operations and Maintenance Plan to determine the resources needed to meet its responsibility.

PLANNING

The District solicited requests for qualifications for a Comprehensive Financial Plan and Assessment Rate Study on March 2, 2020. The District received Statements of Qualifications from three (3) firms including NBS on April 3, 2020 in accordance with the Request for Qualifications. The District's Finance Committee reviewed the submittals on April 21, 2020. NBS was recommended by the Finance Committee for award of a Professional Services Agreement for the project. On May 8, 2020 the Board of Trustees approved retention of NBS, Inc. to perform a comprehensive financial plan in 2020-2021.

In general, the District was seeking a qualified financial consultant to evaluate the District's current and forecasted financial position, develop a comprehensive financial plan, evaluate existing assessment rate structure, and if needed based on results of the comprehensive financial plan, develop legally defensible assessment rates. The broad objective of the study is to ensure the financial stability to fund operations and needed capital investment, including rehabilitation, replacement and modernization of the District's infrastructure.

1. Conduct a detailed review of the District's operating and capital improvement budgets and develop a Comprehensive (10-year) Finance Plan that promotes financial sustainability and maintains adequate reserve levels.
2. Evaluate the existing assessment rate structure and model assessment rate structure.
3. Meet and/or confer with staff as needed and attend up to three daytime meetings/workshops with the Financial Committee and three evening meetings/workshops with the District Board of Directors to present and discuss results of the studies and obtain their input. Attend the public hearing where the water rates are considered for adoption.
4. Obtain all necessary records, data, and statistics from District and conduct analyses as required to address the scope of work.
5. Preliminary Reports
    a. Prepare preliminary finance plan.
    b. Prepare a comprehensive administrative record that shows the calculations for cost of service and allocation of costs;
    c. Prepare preliminary reports of assumptions for assessment rate, and provide tentative rate recommendations; and
    d. Present preliminary reports and tentative rates to the Financial Committee and the District's Board of Directors.
6. Draft Final Reports
    a. Incorporate changes pursuant to comments received from the District's Board; and
    b. Present revised reports and rate recommendations to the District Board of Trustee's at a regularly scheduled Board meeting.
7. Final Reports
    a. Incorporate changes pursuant to comments received at the Board meeting presentation;
    b. Provide an electronic copy of the report, with spreadsheets in Excel format; and
    c. Present the final reports and recommended rates to the Board of Trustees and members of the public at a formal public hearing.
8. Supply a schedule for deliverables.
9. Provide an easy-to-use rate model of the final rate structure for the District to use in rate forecasting.

It is anticipated that the Board will review the draft comprehensive financial plan in December 2020.

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:
Kevin King, General Manager

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and investments	$ 8,180,407	$ 10,031,115
Receivables:		
Assessments	18,000	19,521
Interest	41,014	53,673
Grants	-	132,915
Receivable from SAFCA	1,400,000	8,115
Other receivables, net of allowance of $2,863	103,385	215,180
Prepaid expenses	78,909	64,870
Inventory	174,241	174,241
Net OPEB asset	-	43,691
Capital assets, net	42,522,912	43,036,086
TOTAL ASSETS	52,518,868	53,779,407
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	324,621	380,281
Other postemployment benefits	268,517	8,541
	593,138	388,822
LIABILITIES		
Accounts payable	139,550	113,920
Accrued payroll expense	47,676	50,795
Deposits	51,545	33,573
Due to SAFCA	-	1,141,650
Long-term liabilities		
Accrued vacation	111,791	57,205
Net pension liability	1,281,711	1,189,937
Net OPEB liability	175,827	-
TOTAL LIABILITIES	1,808,100	2,587,080
DEFERRED INFLOWS OF RESOURCES		
Pensions	56,166	56,476
Other postemployment benefits	10,522	1,600
	66,688	58,076
NET POSITION		
Net investment in capital assets	42,522,912	43,036,086
Unrestricted	8,714,306	8,486,987
TOTAL NET POSITION	$ 51,237,218	$ 51,523,073

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2020 and 2019

	2020	2019
PROGRAM EXPENSES		
Governmental activities:		
Flood protection	$ 4,924,301	$ 4,580,955
PROGRAM REVENUES		
Charges for services	57,357	28,986
Operating grants and contributions	1,400,000	1,400,000
Capital contributions and grants	703,157	388,118
NET PROGRAM EXPENSES	(2,763,787)	(2,763,851)
GENERAL REVENUES		
Assessments	2,304,536	2,278,567
Interest income	170,847	180,506
Miscellaneous	2,549	13,157
TOTAL GENERAL REVENUES	2,477,932	2,472,230
CHANGE IN NET POSITION	(285,855)	(291,621)
Net position at beginning of year	51,523,073	51,814,694
NET POSITION AT END OF YEAR	$ 51,237,218	$ 51,523,073

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

BALANCE SHEETS – GENERAL FUND

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 8,180,407	$ 10,031,115
Receivables:		
Assessments	18,000	19,521
Interest	41,014	53,673
Grants	-	305,702
Reimbursements receivable from SAFCA	1,400,000	8,115
Other	103,385	42,394
Other assets	78,909	64,870
TOTAL ASSETS	$ 9,821,715	$ 10,525,390
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ 139,550	$ 113,920
Due to SAFCA	-	1,141,650
Accrued payroll expense	47,676	50,796
Deposits	51,545	33,573
TOTAL LIABILITIES	238,771	1,339,939
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	18,000	214,389
FUND BALANCES		
Nonspendable	78,909	64,870
Assigned	9,486,035	8,906,192
TOTAL FUND BALANCES	9,564,944	8,971,062
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 9,821,715	$ 10,525,390

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GENERAL FUND

June 30, 2020 and 2019

	2020	2019
Fund balance - total governmental funds, June 30,	$ 9,564,944	$ 8,971,062
Amounts reported for governmental activities in the statement of net position are different because:		
Assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Capital assets, net of accumulated depreciation	42,522,912	43,036,086
Inventory	174,241	174,241
Deferred outflows related to pensions and OPEB are not reported in the government funds	593,138	388,822
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued vacation	(111,791)	(57,205)
Net pension liability	(1,281,711)	(1,189,937)
Net OPEB (liability) asset	(175,827)	43,691
Deferred inflows related to pensions and OPEB are not reported in the government funds	(66,688)	(58,076)
Some revenues are not recognized in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities:		
Unavailable revenue	18,000	214,389
Net position - governmental activities, June 30,	$ 51,237,218	$ 51,523,073

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2020 and 2019

	2020	2019
REVENUES		
Property assessments	$ 2,306,058	$ 2,259,046
O & M reimbursements	1,400,000	1,400,000
Capital contributions and grants	898,023	507,778
Fees for services	36,054	9,115
Use of money and property	192,150	200,377
Other revenues	2,549	6,757
TOTAL REVENUES	4,834,834	4,383,073
EXPENDITURES		
Current:		
Flood protection		
Maintenance and operations	2,673,063	2,454,907
Administration	701,665	779,967
Capital outlay	866,224	609,544
TOTAL EXPENDITURES	4,240,952	3,844,418
EXCESS OF REVENUES OVER EXPENDITURES	593,882	538,655
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	-	12,000
OTHER FINANCING SOURCES	-	12,000
NET CHANGE IN FUND BALANCE	593,882	550,655
Fund balance at beginning of year	8,971,062	8,420,407
FUND BALANCE AT END OF YEAR	$ 9,564,944	$ 8,971,062

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GENERAL FUND

June 30, 2020 and 2019

	2020	2019
Net change in fund balance - total governmental funds for the year ended June 30	$ 593,882	$ 550,655
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital outlay	866,224	609,544
Depreciation expense	(1,379,398)	(1,338,628)
Gain on asset disposals		6,400
Proceeds from sale of capital assets		(12,000)
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities		
Change in unavailable revenue	(196,389)	(100,137)
Some expenses in the Government-wide Statement of Activities that do not require the use of current financial resources are not reported as revenues and expenses in the governmental funds.		
Change in accrued vacation	(54,586)	26,083
Change in deferred outflows of resources related to employee pensions and OPEB	204,316	(80,591)
Change in deferred inflows of resources related to employee pensions and OPEB	(8,612)	(7,560)
Change in employee net pension liability	(91,774)	55,920
Change in OPEB asset/liability	(219,518)	(1,307)
Change in net position - governmental activities for the year ended June 30	$ (285,855)	$ (291,621)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Reclamation District No. 1000 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

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

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 90 days of the end of the current fiscal period. Amounts not received within the 90 day availability period are reported as unavailable revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Payable balances consist primarily of payables to vendors.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax assessment revenues, reimbursement revenues and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The Fund is charged with all costs of operations.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District's policies and procedures. Budgetary control is exercised by major object. Budgetary changes, if any, during the fiscal year require the approval of the District's Board of Trustees. Unencumbered budget appropriations lapse at the end of the fiscal year.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items and deposits are reported in the fund financial statements as nonspendable fund balance to indicate they do not constitute resources available for appropriation.

Inventory: The District has on-hand significant amounts of large rock for emergency levee repair. Estimated remaining balances are recorded at cost on a first-in, first-out basis. During the years ended June 30, 2020 and 2019, inventory was not included in the fund financial statements as these are not considered current financial resources.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the time received. Capital assets are depreciated using the straight-line method over the estimated useful lives.

Infrastructure	100 years
Building and improvements	20-40 years
Pumping equipment and improvements	7-50 years
Equipment and vehicles	5-10 years

The District's capitalization threshold is $5,000. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation and Sick Leave: The District's policies regarding vacation and sick leave permit employees to accumulate earned, but unused vacation and sick leave. The District's policy for sick-pay states that upon retirement, an employee may be paid one-third (up to a maximum of 400 hours) of their accumulated unused sick leave balance. The remaining balance of the employees' sick leave is then available for service credit under the District's pension plan. Alternatively, the employees may elect to use their entire balance of accumulated unused sick leave for service credit under the District's pension plan. All vacation and an estimate of the probable sick leave pay-out is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to liquidate compensated absences. All of the accrued vacation and sick leave is considered long-term.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and any outstanding debt related to the purchase of capital assets reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted net position.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Fund Equity: In the General Fund financial statements, the District reports the following fund balances:

Non-spendable fund balances – This category presents amounts not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid costs.

Committed fund balances – This category includes amounts that can be used only for specific purposes determined by a formal action of the Board. The Board has authority to establish, modify, or rescind a fund balance commitment through a resolution of the Board. The District does not have committed fund balances.

Assigned funds balances – This category includes amounts constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – This category represents the residual classification for the District's funds and includes all spendable amounts not contained in the other classifications.

The Board establishes, modifies or rescinds fund balance commitments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The District's committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A resolution of the Board delegates authority to management to establish various reserves, which are considered assigned fund balances. Assigned fund balances consist of the following at June 30:

	2020	2019
Emergency Flood Fight Fund – Funds designated to fight flood emergencies and to help prevent the need for future special	$ 1,500,000	$ 1,500,000
General Capital Fund – To accumulate funds for future capital projects. Such projects represent capital improvement projects to repair damaged levees, improve the reliability of the system and/or increase in the District's ability to monitor the system and respond in a flood emergency.	4,629,578	4,146,187
Operation and Maintenance (O&M) Fund - Reserve balance set at 70% of the current year annual budget.	3,356,457	3,260,005
	$ 9,486,035	$ 8,906,192

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. The assessments are typically levied on or before the first day of September each year and become a lien on real property upon levy. Assessments are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. The District recognizes assessments when the individual installments are due provided they are collected within 60 days after year end.

The Counties use the Alternative Method of Property Tax Apportionment (Teeter). Under this method of property tax apportionment for assessments collected as part of property taxes, the County purchases the delinquent secured property taxes at June 30 of each fiscal year and guarantees the District 100% of its annual assessment.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the District's pension and OPEB plans as described in Notes E and F, and for revenue not received within the availability period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deletions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Reclassifications: Certain reclassifications were made to the June 30, 2019 balances to conform to the current presentation. The reclassifications had no effect on fund balance, change in fund balance, net position, or change in net position.

New Pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense in the period the interest cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

As of June 30, 2020 and 2019, cash and investments consisted of the following:

	2020	2019
Deposits in financial instituions	$ 316,111	$ 369,860
Sacramento County Pooled Investment Fund	4,739,926	3,385,198
City of Sacramento Pool A	2,157,854	2,110,097
Local Agency Investment Fund (LAIF)	966,516	4,165,960
Total cash and investments	$ 8,180,407	$ 10,031,115

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the years ended June 30, 2020 and 2019, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local agency bonds	5 years	None	None
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates and time deposits	5 years	30%	None
Repurchase agreements	92 days	20%	None
Medium term corporate notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Pooled investment funds	N/A	None	None

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the Sacramento County Pooled Fund: The District maintains a portion of its cash in Sacramento County's cash investment pool, which is managed by the Sacramento County Treasurer. The amount invested by all public agencies in Sacramento County's cash and investment pool is $4,495,007,799 and $4,327,235,862 at June 30, 2020 and 2019, respectively. Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Sacramento County's cash and investment pool. The Committee consists of ten members as designated by State law.

NOTE B – CASH AND INVESTMENTS (Continued)

The value of pool shares in Sacramento County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Commission's position in the pool. Investments held in the County's investment pool are available on demand to the Commission and are stated at cost, which approximates fair value.

Investment in the City of Sacramento's Investment Pool: The District maintains a portion of its cash in the City of Sacramento's cash and investment pool which is managed by the City Treasurer. The District's cash balances invested in the City Treasurer's cash and investment pool are stated at fair value. The amount invested by all public agencies in the City's cash and investment pool is $1,518,399,810 and $1,445,964,071 at June 30, 2020 and 2019, respectively. The City does not invest in any derivative financial products directly. However, they do invest in investment pools, which may invest in derivative financial products. The City Council has oversight responsibility for the cash and investment pool. The value of pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasurer through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $101,788,256,254 managed by the State Treasurer. Of that amount, 2.21% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020 and 2019, the weighted average maturity of the investments contained in the County's investment pool was approximately 333 days and 320 days, respectively. As of June 30, 2020 and 2019, the weighted average maturity of the investments contained in the City's investment pool was approximately 2.13 and 1.63 years, respectively. As of June 30, 2020 and 2019, the weighted average maturity of the investment in LAIF was approximately 191 and 173 days, 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 is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The City's investment pool and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

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

NOTE B – CASH AND INVESTMENTS (Continued)

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

At June 30, 2020 and 2019, the carrying amount of the District's deposits were $316,111 and $369,860 and the balances in financial institutions were $386,955 and $388,049, respectively. Of the balance in financial institutions, $250,000 at June 30, 2020 and 2019 was covered by federal depository insurance and amounts in excess of this balance are covered by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 and 2019 was as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:				
Land	$ 2,208,583	$ 12,750		$ 2,221,333
Construction in progress	518,364	205,165		723,529
Total capital assets, not being depreciated	2,726,947	217,915	-	2,944,862
Capital assets being depreciated:				
Infrastructure	26,514,781			26,514,781
Building and improvements	2,423,623	32,650		2,456,273
Pump equipment and improvements	30,336,779			30,336,779
Equipment and vehicles	2,943,152	615,659	$ (38,951)	3,519,860
Total capital assets, being depreciated	62,218,335	648,309	(38,951)	62,827,693
Less accumulated depreciation for:				
Infrastructure	(4,783,817)	(264,076)		(5,047,893)
Building and improvements	(917,629)	(72,602)		(990,231)
Pump equipment and improvements	(13,826,108)	(803,728)		(14,629,836)
Equipment and vehicles	(2,381,642)	(238,992)	38,951	(2,581,683)
Total accumulated depreciation	(21,909,196)	(1,379,398)	38,951	(23,249,643)
Total capital assets, being depreciated, net	40,309,139	(731,089)	-	39,578,050
Capital assets, net	$ 43,036,086	$ (513,174)	$ -	$ 42,522,912

NOTE C – CAPITAL ASSETS (Continued)

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 2,208,583			$ 2,208,583
Construction in progress	143,612	$ 374,752		518,364
Total capital assets, not being depreciated	2,352,195	374,752		2,726,947
Capital assets being depreciated:				
Infrastructure	26,514,781			26,514,781
Building and improvements	2,406,914	16,709		2,423,623
Pump equipment and improvements	30,306,129	30,650		30,336,779
Equipment and vehicles	2,767,719	187,433	$ (12,000)	2,943,152
Total capital assets, being depreciated	61,995,543	234,792	(12,000)	62,218,335
Less accumulated depreciation for:				
Infrastructure	(4,212,985)	(570,832)		(4,783,817)
Building and improvements	(865,451)	(52,178)		(917,629)
Pump equipment and improvements	(13,172,993)	(653,115)		(13,826,108)
Equipment and vehicles	(2,325,539)	(62,503)	6,400	(2,381,642)
Total accumulated depreciation	(20,576,968)	(1,338,628)	6,400	(21,909,196)
Total capital assets, being depreciated, net	41,418,575	(1,103,836)	(5,600)	40,309,139
Capital assets, net	$ 43,770,770	$ (729,084)	$ (5,600)	$ 43,036,086

Depreciation expense of $1,379,398 and $1,338,628 for the years ended June 30, 2020 and 2019, respectively, was charged to the flood protection function.

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2020 and 2019.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Accrued vacation	$ 57,205	$ 132,917	$ (78,331)	$ 111,791
Net pension liability	1,189,937	91,774		1,281,711
Net OPEB (asset) liability	(43,691)	219,518		175,827
	$ 1,203,451	$ 444,209	$ (78,331)	$ 1,569,329

NOTE D – LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Accrued vacation	$ 83,288	$ -	$ (26,083)	$ 57,205
Net pension liability	1,245,857		(55,920)	1,189,937
Net OPEB asset	(44,998)		1,307	(43,691)
	$ 1,284,147	$ -	$ (80,696)	$ 1,203,451

NOTE E –PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The District has the following cost-sharing Plans:

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE E – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

	Miscellaneous Rate Plan	Miscellaneous Second tier Rate Plan	PEPRA Miscellaneous Rate Plan
Hire date	Prior to August 30, 2011	August 30, 2011 to December 31, 2012	On or after January 1, 2013
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	52-67	52-67	52 - 67
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	1.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates:			
2020	7.00%	7.00%	6.25%
2019	7.00%	7.00%	6.25%
Required employer contribution rates:			
2020	10.22%	8.08%	6.99%
2019	9.40%	7.60%	6.80%

In addition to the contribution rates above, the District was also required to make payments of $71,419 and $97,677 towards its unfunded actuarial liability during the years ended June 30, 2020 and 2019, respectively. The Miscellaneous rate plans are closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2020 and 2019, the contributions made to the Plan were $155,951 and $174,925, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2020 and 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan of $1,281,711 and $1,189,937, respectively.

NOTE E – PENSION PLANS (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2020 is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The net pension liability as of June 30, 2019 is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 20, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the measurement dates was as follows:

Proportion - June 30, 2019	0.01235%
Proportion - June 30, 2020	0.01251%
Change - Increase (Decrease)	0.00016%
Proportion - June 30, 2018	0.01256%
Proportion - June 30, 2019	0.01235%
Change - Increase (Decrease)	-0.00021%

For the years ended June 30, 2020 and 2019, the District recognized pension expense of $303,520 and $186,127, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 155,951		$ 174,925	
Differences between actual and expected experience	89,020	$ (6,897)	45,656	$ (15,536)
Changes in assumptions	61,118	(21,666)	135,656	(33,247)
Change in employer's proportion	18,532		18,068	
Differences between the employer's contribution and the employer's proportionate share of contributions		(5,195)	93	(7,693)
Net differences between projected and actual earnings on plan investments		(22,408)	5,883	
Total	$ 324,621	$ (56,166)	$ 380,281	$ (56,476)

NOTE E – PENSION PLANS (Continued)

The $155,951 and $174,925 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2021	$	102,759
2022		(8,168)
2023		13,385
2024		4,528
	$	112,504

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15% (2)	7.15% (2)
Inflation	2.50%	2.50%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	(1)	(1)
Mortality	Developed using CalPERS Membership Data for all funds	Developed using CalPERS Membership Data for all funds
Post-retirement benefit	Contract COLA up to 2.50% until purchasing power protection allowance applies	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used for the June 30, 2019 and 2018 measurement date include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

NOTE E – PENSION PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.15% at June 30, 2020 and 2019. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

	2020			2019		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%	1.0%	0.00%	-0.92%
Total	100.0%			100.0%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

NOTE E – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 2,025,531	$ 1,907,391
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 1,281,711	$ 1,189,937
1% Increase	8.15%	8.15%
Net Pension Liability	$ 667,740	$ 597,690

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan: At June 30, 2020 and 2019, the District had no payable for the outstanding amount of contributions to the pension plan.

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District's defined benefit postemployment healthcare plan provides medical benefits to employees who have attained age 50 with five years of service, or under PEPRA after 10 years of service, increasing 2% per year up to 100% of the benefit after 20 years of service. The plan also provides for dependent coverage. In fiscal year 2012/13, the District modified its contract with CalPERS Public Employees Healthcare to a 75%/25% employer/employee cost share for current employees and retirees. Employees hired after January 1, 2013 cost share under the State Vesting Plan as contracted by the District, which is 50% contribution at 10 years of service plus 5% per additional year of service to 100% at 20 or more years.

The District contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer defined benefit plan) and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The District chooses from a menu of benefit provisions and adopts certain benefits provisions by Board statute within the Public Employees' Retirement Law. By participating in CERBT, the District is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues a Comprehensive Annual Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Contributions: The Board grants the authority to establish and amend the contribution requirements of the District. During the year ended June 30, 2020, the District's cash contributions to the trust were $49,497 and the benefit payments were $79,186, resulting in total payments of $128,683. During the year ended June 30, 2019, the District did not make contributions to the trust but benefit payments were $65,512.

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Employees Covered by Benefit Terms: As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	12
Total	20

Total OPEB Liability: The District's total OPEB liability as of June 30, 2020 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. The District’s total OPEB liability as of June 30, 2019 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Valuation date	June 30, 2019	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	6.5%	6.5%
Inflation	2.75%	2.75%
Salary increases	2.75% per year	2.75% per year
Investment rate of return	6.5%	6.5%
Mortality rate	Derived using CalPERS membership data	Derived using CalPERS membership data
Pre-retirement turnover	Derived using CalPERS membership data	Derived using CalPERS membership data
Healthcare trend rate	4% annually	4% annually

Mortality information was based on the 2014 CalPERS Active Mortality of Miscellaneous Employees table created by CalPERS. The experience study report may be accessed on the CalPERS website at https://www.calpers.ca.gov.

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

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	40.0%	7.795%
US Small Cap	10.0%	7.795%
Long-Term Corporate Bonds	18.0%	5.295%
Long-Term Government Bonds	6.0%	4.500%
Treasury Inflation Protected Securities (TIPS)	15.0%	7.795%
US Real Estate	8.0%	7.795%
All Commodities	3.0%	7.795%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and active employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Total OPEB Liability (Asset): The change in the total OPEB asset for the plan is as follows:

	Increase (Decrease)		
	Total OPEB Liability (Asset)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2019	$ 959,797	$ 1,003,488	$ (43,691)
Changes in the year:			
Service cost	30,024		30,024
Interest	61,951		61,951
Contributions - employer (estimate)		43,424	(43,424)
Expected investment income		65,220	(65,220)
Investment gains/(losses)		5,399	(5,399)
Experience (gains)/losses	241,370		241,370
Expected benefit payments to retirees (estimate)	(43,424)	(43,424)	
Administrative expenses		(216)	216
Net changes	289,921	70,403	219,518
Balance at June 30, 2020	$ 1,249,718	$ 1,073,891	$ 175,827

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

	Increase (Decrease)		
	Total OPEB Liability (Asset)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2018	$ 930,432	$ 975,430	$ (44,998)
Changes in the year:			
Service cost	29,220		29,220
Interest	59,499		59,499
Contributions - employer		28,000	(28,000)
Expected investment income		62,325	(62,325)
Investment gains and losses		(2,001)	2,001
Expected benefit payments to retirees	(49,674)	(49,674)	-
Actual minus expected benefit payments	(9,680)	(9,680)	-
Other		892	(892)
Administrative expenses		(1,804)	1,804
Net changes	29,365	28,058	1,307
Balance at June 30, 2019	$ 959,797	$ 1,003,488	$ (43,691)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2020		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB liability	$ 317,983	$ 175,827	$ 55,650

	2019		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB liability	$ 73,090	$ (43,691)	$ (140,899)

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2020		
	1% Decrease 3.00%	Current Healthcare Cost Trend Rates 4.00%	1% Increase 5.00%
Net OPEB liability	$ 53,809	$ 175,827	$ 315,736

	2019		
	1% Decrease 3.00%	Current Healthcare Cost Trend Rates 4.00%	1% Increase 5.00%
Net OPEB liability (asset)	$ (152,950)	$ (43,691)	$ 86,245

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of $47,503 and $27,460, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 49,497			
Difference between expected and actual experience	219,020	$ (7,402)		$ (1,600)
Net differences between projected and actual earnings on plan investments		(3,120)	$ 8,541	
Total	$ 268,517	$ (10,522)	$ 8,541	$ (1,600)

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The $49,497 at June 30, 2020 reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2020	$ 20,532
2021	20,532
2022	20,528
2023	20,132
2024	19,504
Thereafter	107,270
	$ 208,498

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in the total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. The net difference between expected and actual experience is recognized over the expended average remaining service lifetime (EARSL), which was 10.8 years at the June 30, 2019 valuation date.

Age-Adjusted Premiums Not Used: As a general rule, Actuarial Standards of Practice 6 (ASOP 6) indicates retiree costs should be based on actual claim costs or age-adjusted premiums. However, the Plan's net OPEB liability was not computed using age-adjusted premiums because the District's actuary applied Section 3.7.7(c)4 for the ASOP 6 and determined age-adjusted premiums are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the projection of benefit payments. This is due to the District participating in the CalPERS health insurance plan, Public Employer Medical and Hospital Care Act (PEMHCA). PEMHCA uses blended premiums for active and retired participants and is expected to continue this practice into the future. Contributions based on age-adjusted premiums would be larger than contributions based on actual premiums charged by PEMHCA. The actuary believes this would overstate contributions to the CERBT that would not be able to be recovered by the District. Many other actuaries believe it is appropriate to use age-adjusted premiums when computing net OPEB liabilities under GASB Statement No. 75. The District's net OPEB liability would have been significantly larger had it been computed using age-adjusted premiums.

NOTE G – CONTINGENCIES

Prop 218: Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend assessments and fees. Any new or increased assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District's ability to finance the services for which the property assessments were imposed may be significantly impaired. However, the District may also have the ability to assess certain government owned properties which were previously rendered exempt. The effect Proposition 218 will have on the District's ability to maintain or increase the revenue it receives from assessments and fees in the future is unknown.

COVID-19: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

REQUIRED SUPPLEMENTAL INFORMATION

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020 and 2019

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS PLAN
Last 10 Years

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.01251%	0.01235%	0.01256%	0.12560%	0.01240%	0.01360%
Proportionate share of the net pension liability	$ 1,281,711	$ 1,189,937	$ 1,245,857	$ 1,086,420	$ 848,318	$ 846,161
Covered payroll - measurement period	$ 926,881	$ 889,262	$ 826,547	$ 858,126	$ 852,087	$ 630,170
Proportionate share of the net pension liability as a percentage of covered payroll	138.28%	133.81%	150.73%	126.60%	99.56%	134.27%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	75.31%	74.06%	78.40%	79.21%

Notes to Schedule:
Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.5% in 2015 to 7.65% in 2016 and 2017, and to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
Last 10 Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 155,951	$ 174,925	$ 150,162	$ 139,989	$ 130,747	$ 100,907
Contributions in relation to the actuarially determined contributions	(155,951)	(174,925)	(150,162)	(139,989)	(130,747)	(100,907)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll - fiscal year	$ 1,004,351	$ 926,881	$ 889,262	$ 826,547	$ 858,126	$ 630,170
Contributions as a percentage of covered payroll	15.53%	18.87%	16.89%	16.94%	15.24%	16.01%

Notes to Schedule:

Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and assumptions used to determine contribution rates:	Entry age normal					
Amortization method	Level percentage of payroll, closed					
Remaining amortization period	Varies by rate plan, not more than 30 years					
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service					
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30

	2020	2019	2018
Total OPEB liability			
Service cost	$ 30,024	$ 29,220	$ 28,438
Interest	61,951	59,499	57,189
Experience (gains)/losses	241,370	-	-
Benefit payments	(43,424)	(59,354)	(42,393)
Net change in total OPEB liability	289,921	29,365	43,234
Total OPEB liability - beginning	959,797	930,432	887,198
Total OPEB liability - ending (a)	$ 1,249,718	$ 959,797	$ 930,432
Plan fiduciary net position			
Contributions - employer	$ 43,424	$ 28,000	$ 38,795
Net investment income	65,220	60,324	66,639
Benefit payments (estimate)	(43,424)	(59,354)	(42,393)
Investment gains/(losses)	5,399	-	-
Administrative expenses	(216)	(912)	(801)
Net change in plan fiduciary net position	70,403	28,058	62,240
Plan fiduciary net position - beginning	1,003,488	975,430	913,190
Plan fiduciary net position - ending (b)	$ 1,073,891	$ 1,003,488	$ 975,430
Net OPEB liability (asset) - ending (a)-(b)	$ 175,827	$ (43,691)	$ (44,998)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	85.93%	104.55%	104.84%
Covered-employee payroll - measurement period	$ 926,881	$ 826,547	$ 861,202
Total OPEB liability (asset) as percentage of covered-employee payroll	18.97%	(5.29%)	(5.23%)
Notes to schedule:			
Valuation date	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	6.50%	6.50%	6.50%

Note: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

Benefit changes. None.

Changes in assumptions. None.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2020	2019	2018
Statutorily required contribution - employer fiscal year	$ 79,186	$ 65,512	$ 59,354
Contributions in relation to the statutorily required contributions	(128,683)	(65,512)	(87,354)
Contribution deficiency (excess)	$ (49,497)	$ -	$ (28,000)
Covered-employee payroll - employer fiscal year	$ 1,004,351	$ 926,881	$ 889,262
Contributions as a percentage of covered-employee payroll	12.81%	7.07%	9.82%

Notes to Schedule:

An actuarially determined contribution rate was not calculated. The required contributions reported represent retiree premium payments.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Property assessments	$ 2,250,000	$ 2,250,000	$ 2,306,058	$ 56,058
O & M reimbursement revenue from SAFCA	1,400,000	1,400,000	1,400,000	-
Capital contributions and grants	574,000	574,000	898,023	324,023
Fees for services	-	-	36,054	36,054
Use of money and property	85,000	85,000	192,150	107,150
Other revenues	-	-	2,549	2,549
TOTAL REVENUES	4,309,000	4,309,000	4,834,834	525,834
EXPENDITURES				
Flood protection:				
Maintenance and operations	3,054,938	3,054,938	2,673,063	381,875
Administration	1,002,900	1,002,900	701,665	301,235
Capital outlay	737,100	737,100	866,224	(129,124)
TOTAL EXPENDITURES	4,794,938	4,794,938	4,240,952	553,986
NET CHANGE IN FUND BALANCES	(485,938)	(485,938)	593,882	1,079,820
Fund balance at beginning of year	8,971,062	8,971,062	8,971,062	-
FUND BALANCE AT END OF YEAR	$ 8,485,124	$ 8,485,124	$ 9,564,944	$ 1,079,820

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

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SUPPLEMENTAL INFORMATION

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operations:			
Power	$ 478,000	$ 427,418	$ 50,582
Herbicides	105,000	87,052	17,948
Field services	100,000	40,957	59,043
Field operations consultants	20,000	12,917	7,083
Materials and supplies	22,000	24,495	(2,495)
Refuse collection	25,000	14,138	10,862
Compensation	1,058,262	1,047,112	11,150
Payroll taxes	71,000	81,649	(10,649)
Group insurance, including retirees	97,440	102,634	(5,194)
Dental/vision insurance	22,328	21,038	1,290
Workers' compensation insurance	39,544	19,927	19,617
Pension - defined benefit and 457 plans	178,264	167,115	11,149
Fuel	55,000	39,199	15,801
Equipment repairs and services	16,000	5,551	10,449
Equipment parts and supplies	60,000	33,733	26,267
Shop equipment (not vehicles)	3,000	3,783	(783)
Government fees and permits	12,000	8,458	3,542
FEMA permits	4,000		4,000
Facility repairs	366,000	156,901	209,099
Assessments/CAD	8,000	7,928	72
Field utilities	8,000	8,350	(350)
Equipment rental and other	5,000	605	4,395
Field equipment	10,100	10,121	(21)
Security patrol	34,000	73,270	(39,270)
FMAP - operations and maintenance	256,500	277,221	(20,721)
Other	500	1,491	(991)
	$ 3,054,938	$ 2,673,063	$ 381,875
Administration:			
Office supplies	$ 5,500	$ 4,566	$ 934
Computer	24,000	19,971	4,029
Liability and auto insurance	150,000	118,017	31,983
Annuitant healthcare, excluding retiree benefit payments	30,000	49,497	(19,497)
Memberships	40,500	32,327	8,173
Legal	97,000	74,645	22,355
Engineering/Adminstrative consultants	310,000	150,001	159,999
Public relations, legislative analyst	45,000	5,704	39,296
Accounting and audit services	46,050	37,455	8,595

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL - GENERAL FUND (Continued)

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
Administration (continued):			
Administrative services	$ 17,000	$ 10,195	$ 6,805
Trustee fees	40,000	34,650	5,350
Mitigation land taxes	3,000	2,592	408
Election costs	55,000	39,333	15,667
Utilities	23,700	17,982	5,718
Office maintenance and repair	27,000	22,382	4,618
Continuing education	5,000	3,324	1,676
Payroll service	3,500	3,658	(158)
Small office and computer equipment	12,000	10,037	1,963
Government fees and permits	12,500	6,574	5,926
Assessment management fees		19,268	(19,268)
Professional development	20,500		20,500
Temporary administration	15,000	14,000	1,000
FMAP - administration	12,400		12,400
Bad debt expense - FEMA		22,389	(22,389)
Other	8,250	3,098	5,152
	$ 1,002,900	$ 701,665	$ 301,235
Capital outlay:			
Office upgrades and improvements	$ 30,000	$ 24,332	$ 5,668
Real estate acquisition	50,000	12,750	37,250
Vehicles/equipment	132,000	273,160	(141,160)
Capital - office facility repair	30,000	32,650	(2,650)
Capital - District server	10,000	8,945	1,055
Capital - facilities	180,000	205,164	(25,164)
FMAP Capital - large equipment	305,100	309,223	(4,123)
	737,100	866,224	(129,124)
Total expenditures	$ 4,794,938	$ 4,240,952	$ 553,986

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OTHER REPORTS

RICHARDSON
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

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

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

To the Board of Trustees
Reclamation District No. 1000
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Reclamation District No. 1000 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Trustees
Reclamation District No. 1000

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

December 1, 2020