

RECLAMATION DISTRICT 1000, CALIFORNIA

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Years Ended June 30, 2014 and 2013

RECLAMATION DISTRICT 1000, CALIFORNIA

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

June 30, 2014 and 2013

**BOARD OF TRUSTEES
Elected Officials**

Trustees	Four-Year Term Expires
David Christophel, President	December 1, 2017
John Shiels, Vice-President	December 1, 2017
Thomas M. Gilbert, Trustee	December 1, 2017
Nick Avdis, Trustee	December 1, 2017
Tom Barandas, Trustee	December 1, 2015
Jerome Smith, Trustee	December 1, 2015
Frederick Harris, Trustee	December 1, 2015

DISTRICT MANAGEMENT

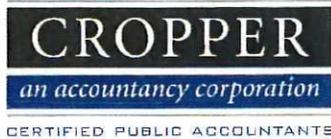
**General Manager
District Secretary**

**Paul Devereux
Terrie Figueroa**

RECLAMATION DISTRICT 1000, CALIFORNIA

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4 – 12
Basic Financial Statements:	
Government-wide Financial Statements -	
Statements of Net Position	13
Statements of Activities	14
Government Fund Financial Statements -	
Balance Sheets – Governmental Fund	15
Reconciliation of the Balance Sheets to Statements of Net Position	16
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	17
Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances to Statements of Activities	18
Notes to Financial Statements	19 - 35
Supplementary Information:	
Schedule 1 - Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	36
Schedule 2 - Expenditures – Budget and Actual – Governmental Fund	37
Note to Schedule 1 and Schedule 2 – Budgetary Data	38
Schedule 3 - Schedule of Expenditures of Federal Awards	39
Note to Schedule of Expenditures of Federal Awards	40
Schedule 4 - Schedule of Findings and Questionable Costs	41 - 42
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43 - 44
Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by OMB Circular A-133	45 - 47



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of Reclamation District 1000, California, (the District) as of June 30, 2014 and 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Reclamation District 1000, California as of June 30, 2014 and 2013, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed for special districts by the Office of the California State Controller.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-12 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 as a whole. The supplementary information and additional information sections, as listed in the Table of Contents, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The accompanying supplementary information section is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). The supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2014, 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, 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.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

WALNUT CREEK, CALIFORNIA
November 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Our discussion and analysis of Reclamation District No. 1000, California (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

- At the end of the year, the District's net position (total assets less total liabilities) are \$54.7 million, of which \$46.7 million is invested in capital assets, approximately \$580 thousand is non-spendable for OPEB funding, and \$8.0 million is unrestricted.
- As of June 30, 2014, the District's General Fund reported a total fund balance of \$8.3 million, of which \$174 thousand is in inventory, \$47 thousand is in prepaid expenses, \$6.7 million has been assigned or committed by the board, \$1.5 million has been legally restricted, and \$71 thousand is unassigned and can be used for operations and maintenance.
- The District's capital asset balances were \$46.7 million at year-end, decreasing \$467 thousand primarily due to depreciation.
- The District has no long-term debt.

CAPITAL PROJECT – PUMPING PLANT NO. 2 RECONSTRUCTION

The following capital project, funded mostly by outside sources and begun by the District in the prior year, was completed during the year ended June 30, 2014 and is described below:

- The Pumping Plant No. 2 Reconstruction project contract was awarded to Mountain Cascade, Incorporated (MCI) in July 2012. This project has been funded primarily through a FEMA disaster assistance grant with some additional Sacramento Area Flood Control Agency (SAFCA) funding as part of their Natomas Levee Improvement Project (NILP). The FEMA grant is a result of the 2006 flood disaster declaration and flood fight efforts by the District at this site to prevent the levee from failing due to under seepage. The flood fight effort required removal of the pumping plant structure and filling the sump. Following the disaster, FEMA determined the costs for replacement of the pumping plant to be eligible for reimbursement through a FEMA Disaster Assistance Grant. The total contract amount awarded to MCI for the Plant No. 2 Reconstruction Project is \$7,595,237. This project included certain improvements FEMA determined were not eligible for reimbursement through the grant, as well as some canal and levee improvements, which were to be funded by SAFCA as part of their NILP project. FEMA previously approved approximately \$5.7 million in funding toward the pump station replacement. During the prior fiscal year, they increased the total project cost eligible for reimbursement to approximately \$7.4 million (\$5.7 million for construction and \$1.83 million for design/permitting/construction management activities) based on the contract bid, change conditions and unforeseen eligible work. The FEMA grant funds are cost-

shared between FEMA and the State CalEMA. There is no local match. The remaining costs will be shared by SAFCA, Natomas Mutual Water Company and the District through an agreement executed by the entities in 2012. The District's expenditures for the fiscal year were 2012-13 were \$6,955,529 and the related fiscal year expenditures for 2013-14 were \$930,506, which are eligible for reimbursement from FEMA/CalEMA and SAFCA less 10% retention being deducted from the FEMA/CalEMA reimbursements. The primary contract work was completed August 1, 2013 and the pumping plant was operational for the 2013-14 flood season. The remaining contract work such as site restoration, start-up testing, and environmental restoration was complete by December 2013. All expenditures for the project have been recognized in capital assets.

CALIFORNIA EMPLOYEES' RETIREMENT BENEFIT TRUST

During the year ended June 30, 2014, the District adjusted the net Other Post-Employment Benefits (OPEB) asset. This change resulted from the following:

- The District contributed \$156,191 directly to the California Employees' Benefit Trust (CERBT) fund, which represented \$182,233 to pay off the unfunded liability net of the normal costs portion of the annual required contribution (ARC), plus \$45,932 the District paid directly for retiree benefits. The total increase to the CERBT fund not including gains/losses to the fund is \$178,960.

SIGNIFICANT CAPITAL PROJECTS ON DISTRICT FACILITIES UNDERTAKEN BY OTHERS

SAFCA initiated construction of the NILP in 2007. Activities on the NILP during the current year ended June 30, 2014 included:

- Maintenance of the native grasses planted on both the landside and waterside of the Natomas Cross Canal (NCC) and the landside of the Sacramento River East Levee (SREL) from the NCC south to approximately Powerline Road by Restoration Resources and River Partners under contract to SAFCA as part of their three-year obligation for the establishment of the vegetation prior to the District assuming responsibility for the vegetation management.
- The NCC levee improvements were formally transferred to the District for operations and maintenance by the Central Valley Flood Protection Board in July 2014. SAFCA will transfer responsibility for the vegetation in Fall 2014.
- The vegetation for the SREL Reaches 1A to 9B (NCC to south of Interstate 5) will be transferred to the District for maintenance in Fall 2015.
- Native grass vegetation was planted on the Sacramento River landside of the new levee, seepage berm and operations/maintenance corridor along the SREL Reaches 10A to 12 (Interstate 5 to south of Powerline Road) by Restoration Resources under contract with SAFCA. They will be responsible for the operation, maintenance, and establishment of the vegetation for a three-year period (transfer Fall 2016)

- Miscellaneous construction activities continued related to the NLIP including utility relocations, access gate placement, site drainage improvements, and other ancillary work to support the completed levee construction activities and environmental permit requirements.

The goal of the NLIP is to provide the Natomas Basin with at least 200-year flood protection. Work completed to date has been funded through a combination of SAFCA funds (voter approved SAFCA Capital Assessment District) and State funds from the Proposition 1E Bond. These funds have been sufficient to complete approximately half of the total improvements needed to provide the 200-year flood protection. It should be noted that the improvements completed to date have addressed the highest risk areas based on studies done to date as well as previous experience during flood events. SAFCA, the State and District have been pursuing completion of the project by the federal government through the Army Corps of Engineers consistent with their past involvement on major flood control projects in the Sacramento area. In June, Congress approved and the President signed the Water Resources and Reform Development Act (WRRDA) of 2014, which authorized the Natomas Levee Project. Design and construction are dependent upon future federal appropriations. The current estimated schedule for the Corps to initiate construction of the remaining levee improvements is 2017. Completion of the project is estimated to be six years after construction is initiated. However, this schedule is dependent on annual federal appropriations and the timely acquisition of necessary rights of way and relocations of utilities which interfere with levee improvements..

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 and liabilities, with the difference representing net assets. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$54.7 million at the close of the most recent fiscal year.

The largest portion of the District's net position (85%) reflects its investment in capital assets (e.g. infrastructure, land, buildings, machinery, and equipment) with the majority being levees, canals or pump stations. The District uses these capital assets to provide flood protection services. Consequently, these assets are not available for future spending. There is no related debt associated with the District's investments in its capital assets.

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

TABLE 1
Condensed Statements of Net Position
 June 30, 2014 and 2013
 (in thousands)

	Governmental Activities	
	2014	2013
Current and other assets	\$ 9,752	\$ 9,385
Capital assets	46,702	47,169
Total assets	56,454	56,554
Current and other liabilities	1,776	2,109
Net position:		
Invested in capital assets, net	46,702	47,169
Unrestricted net position	7,976	7,276
Total net position	\$ 54,678	\$ 54,445

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 2014 capital additions were:

- Vehicles: Kenworth Truck Engine Rebuild (\$16,000) and a 2003 Chevy Tahoe (\$11,256)
- Buildings: Three (3) Starters at Plan #8 (\$38,412), Cathodic Protection at Plants 4 and 5 (\$28,000), Shop office expansion (\$16,189).
- Infrastructure: Pumping Plant No. 2 Reconstruction of \$930,506, as well as transfer of related construction in progress of \$6,993,897.
- Land: Easement Canal Relocation near Highway 99 and 70 (\$4,884).

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

There is no associated debt with any capital assets.

Change in Net Position for Governmental Activities

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

TABLE 2
Condensed Statements of Activities
Years Ended June 30, 2014 and 2013
(in thousands)

	Governmental Activities	
	2014	2013
Program Revenues:		
Charges for services	\$ 19	\$ 21
Capital Contributions	1,405	9,900
General Revenues:		
Assessment revenues	2,271	2,200
Investment earnings	6	17
Miscellaneous income	<u>95</u>	<u>36</u>
Total Revenues	3,796	12,174
Expenses:		
Flood Protection	<u>3,563</u>	<u>3,648</u>
Change in net position	233	8,526
Net position, beginning of year	<u>54,445</u>	<u>46,919</u>
Net position, end of year	<u>\$ 54,678</u>	<u>\$ 54,445</u>

The District's net position increased by \$233,066 during the current fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the fiscal year end, the District's governmental fund reported a combined fund balance of \$8.3 million, an increase of \$2,483,261 from the previous year's fund balance. This increase is due to current year revenues exceeding current year expenditures. Of the total \$8.3 million fund balances, \$4.3 million has been assigned or committed for specific purposes. Current receivables and future assessments will be used for future flood protection costs.

Revenues in the District's governmental funds (General Fund) were \$6.1 million. Assessment revenue of \$2.2 million represents 37% of revenue for the governmental funds. Expenditures from governmental funds were \$3.6 million, which resulted in a surplus of \$2.5 million.

Fund Balances

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

Fund balances as of June 30, 2014 are restricted, assigned or committed as follows:

<u>Fund</u>	<u>Fund Balance</u>
Restricted fund balance	\$ 1,513,914
Emergency Flood Fight – assigned	1,500,000
General capital – assigned	2,777,283
Operating reserve - assigned	<u>2,429,486</u>
Total assigned or committed fund balances	6,706,769
Unassigned	<u>71,616</u>
Total fund balances	<u>\$ 8,292,299</u>

GENERAL BUDGETARY HIGHLIGHTS

The following is a summary of current year budget and actual results for the District's General Fund revenues and other financing sources for the year ended June 30, 2014:

TABLE 3
Fund Revenues - Budget to Actual Comparisons

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Assessments	\$ 2,245,325	\$ 2,246,197	\$ 872
Grants and capital contributions	2,142,462	1,886,955	(255,507)
Rents, easements, and fees for services	18,988	19,297	309
Interest	12,600	6,314	(6,286)
Cerbt reimbursement	40,613	-	(40,613)
Other	35,000	165,865	130,865
Reimbursement Revenue from SAFCA	900,000	1,800,000	900,000
Finance Charges and penalties	<u>300</u>	<u>900</u>	<u>600</u>
Total	<u>\$5,395,288</u>	<u>\$ 6,125,528</u>	<u>\$ 730,240</u>

Changes from the Amount Originally Budgeted

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

Actual Revenues/Financing Sources Compared with Final Budgeted Amounts

Actual revenues and other financing sources recognized by the District's General Fund were \$730,240 greater than budget. The variance resulted primarily from the timing of the SAFCA reimbursement relative to the prior year, offset by fewer capital reimbursements and FEMA funds received than budgeted. The variance in the assessment is the difference in the amount budgeted per the initial Assessment Engineer's Report and changes made to the tax roll in land use and subdivisions as of July 15, 2013, when the final roll is submitted to the Counties.

Actual Expenditures/Other Financing Uses Compared with Final Budgeted Amounts

Following is a summary of current year budget and actual results for the District's General Fund expenditures (See Table 4).

TABLE 4
Expenditures – Budget to Actual Comparisons

	Revised Budget	Actual	Favorable Variance
Flood Protection	\$ 5,525,818	\$ 3,642,267	\$ 1,883,551

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 20, 2014, the District has \$62.2 million invested in capital assets including land, buildings, infrastructure, and equipment (See Table 5)

Table 5
Changes in Capital Assets

	As of June 30, 2014	As of June 30, 2013	Increase (Decrease)
Lands and rights of way	\$ 2,173,363	\$ 2,168,479	\$ 4,884
Construction-in-progress	-	7,360,417	(7,360,417)
Buildings, pump plants and improvements	31,396,906	23,389,703	8,007,203
Infrastructure	26,498,275	26,498,275	-
Equipment	2,089,922	2,062,665	27,257
Total capital assets	<u>\$ 62,158,466</u>	<u>\$ 61,479,539</u>	<u>\$ 678,927</u>

Debt Administration

As of June 30, 2014, the District had no long-term debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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

BASIC FINANCIAL STATEMENTS

RECLAMATION DISTRICT 1000, CALIFORNIA
 Statements of Net Position
 June 30, 2014 and 2013

	Governmental Activities	
ASSETS	2014	2013
ASSETS:		
Cash	\$ 1,383,143	\$ 2,170,165
Pooled cash and investments	5,882,708	2,113,864
Assessments receivable	70,913	76,714
Receivable from SAFCA	900,000	2,606,977
Grant reimbursement receivable	665,021	1,462,443
Interest receivable	3,201	6,419
Other receivables	46,812	328,128
Prepaid expenses	46,504	45,040
Inventory	174,241	174,241
Net OPEB Asset	580,104	401,144
Capital assets, net	46,701,813	47,168,739
 TOTAL ASSETS	 \$ 56,454,460	 \$ 56,553,874
LIABILITIES AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 89,461	\$ 1,939,424
Accrued payroll and related	111,162	107,593
Deferred revenue	1,513,914	-
Deposits	61,554	61,554
Total liabilities	1,776,091	2,108,571
 NET POSITION:		
Invested in capital assets, net of \$-0- related debt	46,701,813	47,168,739
Unrestricted	7,976,556	7,276,564
Total net position	54,678,369	54,445,303
 TOTAL LIABILITIES AND NET POSITION	 \$ 56,454,460	 \$ 56,553,874

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
 Statements of Activities
 For the Years Ended June 30, 2014 and 2013

	2014			2013			
	Expenses	Program Revenues Charges for Services	Capital Contributions and Grants	Net (Expense) Revenues and Changes in Net Position Governmental Activities	Program Revenues Charges for Services	Capital Contributions and Grants	Net (Expense) Revenues and Changes in Net Position Governmental Activities
GOVERNMENTAL ACTIVITIES:							
Flood Protection	\$ 3,563,715	\$ 19,297	\$ 1,405,163	\$ (2,139,255)	\$ 20,951	\$ 9,899,703	\$ 6,273,080
GENERAL REVENUES:							
Assessments				2,270,859			2,200,278
Interest				6,314			16,678
Miscellaneous				95,148			35,878
Total general revenues				2,372,321			2,252,834
CHANGE IN NET POSITION				233,066			8,525,914
NET POSITION, BEGINNING OF YEAR				54,445,303			45,919,389
NET POSITION, END OF YEAR				\$ 54,678,369			\$ 54,445,303

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
 Balance Sheets - Governmental Fund
 Years Ended June 30, 2014 and 2013

		General Fund	
ASSETS		2014	2013
ASSETS:			
Cash	\$	1,383,143	\$ 2,170,165
Pooled cash and investments		5,882,708	2,113,864
		7,265,851	4,284,029
Receivables:			
Interest receivable		3,201	6,419
Assessments		46,251	76,713
Grants receivable		-	929,543
Reimbursements receivable from SAFCA		900,000	1,706,977
Other		46,812	328,128
		996,264	3,047,780
Other assets:			
Prepaid expenses		46,504	45,040
Inventory		174,241	174,241
		220,745	219,281
TOTAL ASSETS	\$	8,482,860	\$ 7,551,090
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$	89,461	\$ 1,572,905
Accrued payroll and related		39,546	107,593
Deposits		61,554	61,554
Total liabilities		190,561	1,742,052
FUND BALANCES:			
Restricted fund balance		1,513,914	-
Unrestricted fund balances:			
Board-assigned and committed		6,706,769	3,533,044
Other		71,616	2,275,994
Total unrestricted fund balances		6,778,385	5,809,038
Total fund balances		8,292,299	5,809,038
TOTAL LIABILITIES AND FUND BALANCES	\$	8,482,860	\$ 7,551,090

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
 Reconciliation of the Balance Sheets to Statements of Net Position
 June 30, 2014 and 2013

	2014	2013
TOTAL GOVERNMENTAL FUND BALANCES	\$ 8,292,299	\$ 5,809,038
Amounts reported for governmental activities but not included in the governmental fund:		
Non-financial resources:		
Capital assets, net	46,701,813	47,168,739
Deferred revenue	(1,513,914)	-
Accrued vacation	(71,616)	(70,147)
Receivables that will not be collected within 90 days	689,683	532,900
Accounts payable that will not be paid within 90 days	-	(296,371)
Net OPEB asset	580,104	401,144
Receivable from SAFCA not paid within 90 days	-	900,000
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 54,678,369	\$ 54,445,303

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
Statements of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Fund
Years Ended June 30, 2014 and 2013

	General Fund	
	2014	2013
REVENUES:		
Property assessments	\$ 2,246,197	\$ 2,200,278
Grants and capital contributions	1,886,955	5,400,073
Rents, easements, and fees for services	19,297	20,951
Interest	6,314	16,678
Other	165,865	34,883
O&M reimbursements from SAFCA	1,800,000	900,000
Other reimbursements from SAFCA	-	2,995,660
Finance charges and penalties	900	994
Total revenues	6,125,528	11,569,517
EXPENDITURES:		
Flood Protection:		
Operations	1,466,858	1,698,721
Administration	1,129,962	904,086
Capital outlay	1,045,447	8,821,619
Total expenditures	3,642,267	11,424,426
 NET CHANGE IN FUND BALANCES	 2,483,261	 145,091
 FUND BALANCES, BEGINNING OF YEAR	 5,809,038	 5,663,947
 FUND BALANCES, END OF YEAR	 \$ 8,292,299	 \$ 5,809,038

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA

Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances to Statements of Activities
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ 2,483,261	\$ 145,091
Amounts reported for governmental activities in the statement of net assets is different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	1,045,447	8,821,619
Current year depreciation expense	(1,145,854)	(1,074,932)
Governmental funds do not report nonfinancial resources such as long term assets or liabilities.		
Grant receivable from FEMA recognized in governmental activities; however, the receivable is not expected to be collected within 90 days and is, therefore, not recognized in the governmental fund.	132,121	532,900
Assessments receivable not expected to be collected within 90 days	24,662	-
Revenue deferred in the government-wide financial statements but recognized in the fund financial statements	(1,513,914)	-
Revenue recognized in the prior year government-wide financial statements but not recognized as revenue in the governmental fund until the current year.	(971,617)	71,070
Advance funding of the OPEB asset is not reported in the government-wide financial statements	<u>178,960</u>	<u>30,166</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 233,066</u>	<u>\$ 8,525,914</u>

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. DESCRIPTION OF THE DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES

The District

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

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

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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

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

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

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

The General Fund is the general operating and maintenance fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

As of June 30, 2014, the Board of Trustees has assigned and/or committed fund balances of \$6,706,769 of the \$8,292,299 fund balance for various purposes. Such amounts are not legally restricted, and the Board has the authority to unassign and/or uncommit such reserves.

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

- **Nonspendable Fund Balance** – for funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact. The District has not established a specific Nonspendable Fund at this time.
- **Restricted Fund Balance** – for funds that are mandated for specific purposes by external parties, constitutional provisions, or enabling legislation. At the time of adoption of this resolution, the Board of Trustees established the following restricted fund balance:
 - Metro Airpark Groundwater Pumping fund to pay pumping costs for the discharge of groundwater received from the County's Metro Airpark detention basin into the Sacramento River. These funds will be used annually to offset pumping costs generally at Pumping Plant No. 3 and will likely have a zero balance at each fiscal year-end.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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- A legally restricted fund of \$1,513,914 has been established related to monies received that are to be passed through to SAFCA. The District does not have variance power over these monies.
 - **Committed Fund Balance** – for funds set aside for specific purposes by the District’s highest level of decision-making authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. These committed funds cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. Board of Trustee action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements. At the time of adoption of this resolution, the Board of Trustees established the following committed funds balances:
 - Other Post Employment Benefits (OPEB fund) – During the prior year, the District had committed the total expected unfunded liability of \$182,234 as of June 30, 2013 for past service costs, in addition to the amounts previously funded in the CERBT trust. In May 2014, the District paid the remaining estimated unfunded liability and this committed fund was dissolved.
 - **Assigned Fund Balance** – Funds that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Resolution 2012-06 delegates authority to assign amounts to be used to the District Manager. As of June 30, 2014, District management has assigned \$1,500,000 for the Emergency Food Fight Fund, and \$2,777,283 for future General Capital Fund expenditures. In addition, during the year ended June 30, 2014, the Board adopted a Financial Reserve Policy, thereby setting the Operation and Maintenance (O&M) Fund Reserve balance at 75% of the annual budget. As such, as of June 30, 2014, a fund of \$2,429,486 has been assigned by management for future operations and maintenance.
 - **Unassigned Fund Balance** – The residual positive net resources of the general fund in excess of what can properly be classified in one of the above four categories.

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

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 and would apply all Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations.

For the years ended June 30, 2014 and 2013, the District has no proprietary funds.

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

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

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

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized on governmental fund financial statements.

Basis of Accounting

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

Budgets and Budgetary Accounting

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

Cash Equivalents

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

Inventory

The District has purchased significant amounts of large rock to keep on hand for emergency levee repair. Estimated remaining balances are recorded at cost on a first-in, first-out basis.

Capital Assets

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

The District's capitalization thresholds are \$2,500 for equipment, \$25,000 for buildings and improvements, \$50,000 for pumps and improvements, and \$100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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

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

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

Additionally, the District had one construction project, which began construction in fiscal 2012-13: the Plan 2 Reconstruction Project. This project was completed during the year ended June 30, 2014 and all related costs capitalized reflected as in-service capital assets as of June 30, 2014.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows of resources to report in fiscal 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and, accordingly, will not be recognized as an inflow of resources (revenue) until such time. The District had no deferred inflows of resources to report in fiscal 2014.

Compensated Absences

District employees accrue paid vacation and sick days in varying incremental amounts based upon length of employment. Upon termination of employment, an employee will be paid for unused vacation time not to exceed maximum accrual rate of 360 hours. The liability of \$71,616 and \$70,147 as of June 30, 2014 and 2013, respectively, has been recorded as a current expenditure and liability in the fund financial statements as it is estimated that current expendable resources will be used to pay all but an immaterial portion of the liability.

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

Assessments

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

Use of Estimates

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

Subsequent Events

Management has evaluated subsequent events through November 14, 2014, the date on which the financial statements were available to be issued.

New Accounting Pronouncements

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

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

Cost-sharing employers

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

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2014 and 2013

to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

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

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

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) information about required contributions, contributions to the pension plan, and related ratios. The District is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District. CalPERS issued a Circular Letter on October 22, 2014 stating that it intends to provide additional information that will be needed by employers to meet financial reporting needs in the spring of 2015 for fiscal years beginning after June 15, 2014.

In November 2013, GASB issued GASBS No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68.

2. CASH AND INVESTMENTS

As of June 30, 2014 and 2013, the carrying amount of the District's bank deposits was \$1,383,143 and \$2,170,165, respectively, and the bank balances were \$1,442,238 and \$2,186,214, respectively, excluding outstanding checks. Of the bank balances, the Federal Depository Insurance Corporation insured \$250,000 by bank. The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. The remainder was covered by collateral held in the pledging financial institutions' trust departments in the District's name.

RECLAMATION DISTRICT 1000, CALIFORNIA
Notes to Financial Statements
Years Ended June 30, 2014 and 2013

Pooled Cash and Investments

Pooled cash and investments as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash and investments in Sacramento County Treasury	\$ 4,176,425	\$ 1,909,652
Cash and investments in State of California Treasury (LAIF)	<u>1,706,283</u>	<u>204,212</u>
Total pooled cash and investments	<u>\$ 5,882,708</u>	<u>\$ 2,113,864</u>

Sacramento County Treasury

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

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

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

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

Local Area Investment Fund

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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

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

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

Investments Authorized by the District's Investment Policy

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates.

As of June 30, 2014, the weighted average maturity of investments is approximately 335 days and 232 days for investments held in the County Treasury and LAIF, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organization. State law as well as LAIF investment policies, which govern the pools in which the District invests, limit the pools' respective investments to those issuers with top ratings as issued by nationally recognized statistical rating organizations.

Custodial Credit Risk

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

Derivative Investments

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

3. CAPITAL ASSETS

A summary of changes to capital assets for the year ended June 30, 2014, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2013	Additions	Transfers/ Disposals	June 30, 2014
Land and rights of way	\$ 2,168,479	\$ -	\$ -	\$ 2,168,497
Construction in progress	7,360,417	630,598	(7,991,015)	-
Infrastructure	26,498,275	-	-	26,498,275
Building & improvements	2,116,939	16,189	-	2,133,127
Pump equipment & improvements	21,272,764	-	7,991,015	29,263,779
Equipment	1,382,921	-	(32,690)	1,350,231
Vehicles	612,927	27,256	-	640,184
Office equipment	66,817	-	-	66,817
	<u>61,479,539</u>	<u>674,043</u>	<u>(32,690)</u>	<u>62,125,775</u>
Accumulated depreciation	<u>(14,310,800)</u>	<u>(1,145,854)</u>	<u>32,690</u>	<u>(15,423,964)</u>
	<u>\$ 47,168,739</u>	<u>\$ (471,811)</u>	<u>\$ -</u>	<u>\$ 46,701,811</u>

RECLAMATION DISTRICT 1000, CALIFORNIA
Notes to Financial Statements
Years Ended June 30, 2014 and 2013

A summary of changes to capital assets for the year ended June 30, 2013, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2012	Additions	Disposals	June 30, 2013
Land and rights of way	\$ 2,168,479	\$ -	\$ -	\$ 2,168,479
Construction in progress	207,752	7,152,665		7,360,417
Infrastructure	26,391,075	107,200	-	26,498,275
Building & improvements	1,128,335	988,604	-	2,116,939
Pump equipment & improvements	20,490,181	782,583	-	21,272,764
Equipment	1,259,630	123,291	-	1,382,921
Vehicles	579,132	33,795	-	612,927
Office equipment	66,817	-	-	66,817
	52,291,401	9,188,138	-	61,479,539
Accumulated depreciation	(13,235,868)	(1,074,932)	-	(14,310,800)
	<u>\$ 39,055,533</u>	<u>\$ 8,113,206</u>	<u>\$ -</u>	<u>\$ 47,168,739</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$1,145,854 and \$1,074,932, respectively, and was charged to the single function of the District: flood protection.

4. DEFINED BENEFIT PENSION PLAN

Plan Description

The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan beneficiaries. During the past eight years, the District's pension plan offerings have changed. All plans offered to District employees are summarized below. The effect of the most recently enacted plans will be reflected in subsequent actuarial studies.

Employees Hired through June 30, 2005

Through June 30, 2005 the District's pension plan was part of the public agency portion of the California Public Employees Retirement System (CalPERS)¹, one of their single agency pools administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees'

¹ CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

Employees Hired July 1, 2005 through August 30, 2011

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

Employees Hired September 1, 2011 through December 31, 2012

During the year ended June 30, 2012 the District contracted for a 2nd Tier retirement plan based on 2% @60 with the last three years compensation used to determine pension benefit. This 2nd tier retirement plan is effective for anyone hired on or after September 1, 2011. The District has no employees under the 2% @60 plan contracted as of June 30, 2013.

Employees Hired January 1, 2013 through Present

During fiscal 2012/2013 under the Public Employee Pension Reform Act (PEPRA) all employees hired after January 1, 2013 will fall under PEPRA. The PEPRA plan is based on 2%@62 with the last three years of compensation used to determine pension benefit. The District has no employees eligible under the PEPRA plan as of June 30, 2013.

Funding Policy Contribution Rates

The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012/13 for classic members was 15.483% and for new members under PEPRA, the contribution rate was 6.25%. The District has two eligible members under the PEPRA plan as of June 30, 2014. The contribution requirements of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal years 2013-14 and 2012-13, the District’s annual pension costs were \$96,703 and \$119,770, respectively. The District actually contributed \$96,703 and \$111,455, respectively, for the years ended June 30, 2014 and 2013. The required contribution for fiscal year 2013-14 was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method with contributions determined as a percentage of pay. The actuarial assumptions included a) 7.5% investment rate of return (net of administrative expenses); b) projected overall payroll growth rate of 3.0%, and c) 2.75% inflation rate.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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

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

Funded Status and Funding Progress of Plan

The following data has been derived from the latest actuarial valuation report date, June 30, 2012:

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/07	\$2,611,746,790	\$2,391,434,447	\$220,312,343	91.6%	\$665,522,859	33.1%
06/30/08	\$2,780,280,768	\$2,547,323,278	\$232,957,490	91.6%	\$688,606,691	33.8%
06.30/09	\$3,104,798,222	\$2,758,511,101	\$346,287,121	88.9%	\$742,981,488	46.6%
06/30/10	\$3,309,064,934	\$2,946,408,106	\$362,656,828	89.0%	\$748,401,352	48.5%
06/30/11	\$3,619,835,876	\$3,203,214,899	\$416,620,977	88.5%	\$759,263,518	54.9%
06/30/12	\$4,175,139,166	\$3,686,589,343	\$488,540,823	88.3%	\$757,045,663	64.5%

5. OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description. The District's defined benefit postemployment healthcare plan provides medical benefits to employees who have attained age 50 with five years of service, 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 100/90 State Vesting Plan as contracted by the District.

Funding Policy. During the year ended June 30, 2012, the District contracted with the CalPERS Employee Retirement Benefit Trust (CERBT) as a vehicle to fund and administer other postemployment benefits. As of June 30, 2014, the District has funded the estimated unfunded liability.

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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

Annual OPEB Cost. In accordance with the requirements of GASB 45, the District obtains an OPEB actuarial study once every two years. The District's annual OPEB cost was \$23,163 and \$82,892, respectively, for the years ended June 30, 2014 and 2013. The annual OPEB cost was equal to the ARC.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan (or benefits paid), and the net OPEB obligation/asset (based on the June 30, 2013 actuarial study) are as follows:

Fiscal year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation before funding	Cumulative Additional Funding	Net OPEB Asset
06/30/09	\$ 94,334	68.4%	\$ (29,852)	\$ -	\$ -
06/30/10	94,334	59.2%	(68,354)	-	-
06/30/11	80,994	67.7%	(94,494)	-	-
06/30/12	80,994	100.0%	(128,355)	499,334	370,979
06/30/13	82,892	100.0%	(168,762)	569,906	401,144
06/30/14	23,163	100.0%	(145,993)	726,097	580,104

GASB Statement No. 45 was applied on a prospective basis. Prior to implementation of this standard, the District recorded OPEB expense on a pay-as-you-go basis. The following reconciles current year expense to amounts on a pay-as-you-go basis for the years ended June 30, 2014 and 2013:

	2014	2013
Normal cost	\$ 19,890	\$ 21,311
UAAL amortization	3,273	60,870
Residual UAAL amortization	-	711
Total annual required contribution	23,163	82,892
Pay-As-You-Go cost	45,932	42,485
Change to Net OPEB obligation before funding	\$ (22,769)	\$ 40,407

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

Funded Status and Funding Progress. The schedule of funding progress and funded status of the plan as of June 30, 2014 and 2013 based on the June 30, 2013 actuarial study was as follows:

	<u>2014</u>	<u>2013</u>
Actuarial accrued liability (AAL)	\$ 823,011	\$ 823,011
Actuarial value of plan assets	<u>960,169</u>	<u>640,777</u>
Unfunded actuarial accrued liability (UAAL)	<u>(137,158)</u>	<u>182,234</u>
Funded ratio (actuarial value of plan assets/AAL)	116.67%	77.86%
Covered payroll (active plan members)	\$ 730,617	\$ 661,949
UAAL as a percentage of covered payroll	19%	28%

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

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age, Normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years for initial UAAL, and 20 years for residual UAAL
Asset valuation method	Fair value
Investment rate of return (funded)	6.5%
Salary increase	2.75%
Inflation	2.75%
Healthcare trend rate	4.0%

RECLAMATION DISTRICT 1000, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

5. CONTINGENCIES

The District has programs for public liability and property damage. There have been no settlements related to these programs that exceed insurance coverage during the 2013-14 fiscal year. The District retains the risk for all loss exposure in excess of insurance coverage. Claims, expenditures, and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated.

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

SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT 1000, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Years Ended June 30, 2014 and 2013

	2014				2013			
	Original Budget	Final Amended Budget	Actual	Favorable/ (unfavorable)	Original Budget	Final Amended Budget	Actual	Favorable/ (unfavorable)
REVENUES:								
Property assessments	\$ 2,245,325	\$ 2,245,325	\$ 2,246,197	\$ 872	\$ 2,245,325	\$ 2,245,325	\$ 2,200,278	\$ (45,047)
Grants and capital contributions	2,142,462	2,142,462	1,886,955	(255,507)	6,883,643	7,530,616	8,395,733	865,117
Rents, easements, and fees for services	18,988	18,988	19,297	309	42,450	42,450	20,951	(21,499)
Interest	12,600	12,600	6,314	(6,286)	11,000	11,000	16,678	5,678
Other	35,000	35,000	165,865	130,865	10,000	10,000	34,883	24,883
CERBT Reimbursement	40,613	40,613	-	(40,613)	40,613	40,613	-	(40,613)
O&M reimbursement revenue from SAFCA	900,000	900,000	1,800,000	900,000	1,800,000	1,800,000	900,000	(900,000)
Finance charges and penalties	300	300	900	600	300	300	994	694
Total revenues	<u>5,395,288</u>	<u>5,395,288</u>	<u>6,125,528</u>	<u>730,240</u>	<u>11,033,331</u>	<u>11,680,304</u>	<u>11,569,517</u>	<u>(110,787)</u>
EXPENDITURES:								
Flood Protection:								
Operations	1,844,137	1,844,137	1,466,858	377,279	1,750,398	1,802,898	1,698,721	104,177
Administration	1,069,973	1,069,973	1,129,962	(59,989)	1,035,722	1,038,222	904,086	134,136
Capital outlay	2,611,708	2,611,708	1,045,447	1,566,261	7,623,643	8,255,616	8,821,619	(566,003)
Total expenditures	<u>5,525,818</u>	<u>5,525,818</u>	<u>3,642,267</u>	<u>1,883,551</u>	<u>10,409,763</u>	<u>11,096,736</u>	<u>11,424,426</u>	<u>(327,690)</u>
NET CHANGE IN FUND BALANCES	(130,530)	(130,530)	2,483,261	2,613,791	623,568	583,568	145,091	(438,477)
FUND BALANCES, BEGINNING OF YEAR	<u>5,809,038</u>	<u>5,809,038</u>	<u>5,809,038</u>	<u>-</u>	<u>5,663,947</u>	<u>5,663,947</u>	<u>5,663,947</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 5,678,508</u>	<u>\$ 5,678,508</u>	<u>\$ 8,292,299</u>	<u>\$ 2,613,791</u>	<u>\$ 6,287,515</u>	<u>\$ 6,247,515</u>	<u>\$ 5,809,038</u>	<u>\$ (438,477)</u>

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
 Schedule of Expenditures - Budget and Actual - Governmental Fund
 Years Ended June 30, 2014 and 2013

	2014			2013		
	Original Budget	Final Amended Budget	Variance	Original Budget	Final Amended Budget	Variance
OPERATIONS:						
Power	\$ 450,000	\$ 450,000	\$ 242,817	\$ 207,183	\$ 400,000	\$ 385,976
Utilities	9,000	9,000	11,173	(2,173)	9,000	11,420
Herbicides	85,000	85,000	60,599	24,401	100,000	84,720
Field services	76,000	76,000	31,359	44,641	75,000	94,463
Consultants	25,200	25,200	57,810	(32,610)	20,000	17,175
Materials and supplies	28,000	28,000	30,080	(2,080)	24,500	17,451
Refuse collection	7,500	7,500	3,647	3,853	10,000	4,390
Compensation	828,437	828,437	821,154	7,283	778,398	803,154
Fuel	80,000	80,000	57,325	22,675	90,000	68,710
Equipment repairs and rental	30,000	30,000	19,477	10,523	35,000	18,352
Equipment supplies	50,000	50,000	53,035	(3,035)	60,000	49,675
Contingency - Levee patrols	5,000	5,000	-	5,000	5,000	4,671
Facility repairs	130,000	130,000	36,032	93,968	160,000	100,919
Off Duty Patrol	40,000	40,000	42,150	(2,150)	35,000	37,625
	<u>\$ 1,844,137</u>	<u>\$ 1,844,137</u>	<u>\$ 1,466,858</u>	<u>\$ 377,279</u>	<u>\$ 1,750,398</u>	<u>\$ 1,698,721.00</u>
						<u>\$ (1,625)</u>
ADMINISTRATION:						
Assessment	\$ 38,000	\$ 38,000	\$ 33,042	\$ 4,958	\$ 35,000	\$ 35,208
Office supplies and equipment	21,400	21,400	18,059	3,341	25,500	20,632
Liability and auto insurance	110,000	110,000	105,491	4,509	120,000	102,639
Uninsured losses	1,000	1,000	-	1,000	1,000	-
Group insurance	142,395	142,395	113,229	29,166	122,464	113,295
Dental/vision insurance	16,375	16,375	20,241	(3,866)	16,600	17,706
Workers' compensation insurance	39,271	39,271	43,141	(3,870)	36,970	39,108
Memberships	34,000	34,000	32,864	1,136	34,000	30,464
Legal	50,000	50,000	85,722	(35,722)	80,000	55,737
Engineering/Consultants	100,000	100,000	116,422	(16,422)	105,000	73,667
Public relations, legislative analyst	45,000	45,000	22,333	22,667	45,000	21,299
Accounting and related services	11,000	11,000	22,250	(11,250)	13,000	9,090
Administrative services	24,000	24,000	18,268	5,732	21,000	22,753
Payroll taxes	68,892	68,892	65,783	3,109	60,607	64,088
Pension	101,954	101,954	96,703	5,251	126,911	119,770
Trustees fees	39,000	39,000	37,800	1,200	34,000	37,125
County fees	5,500	5,500	8,574	(3,074)	5,000	4,983
Mitigation/land taxes	8,000	8,000	2,181	5,819	3,500	3,190
Urbanization committee	5,000	5,000	2,500	2,500	5,000	-
Property Taxes (SAFCA CAD)	3,000	3,000	3,400	(400)	3,000	2,358
Election Costs	75,000	75,000	60,403	14,597	-	-
OPEB - ARC	111,186	111,186	202,123	(90,937)	121,870	113,058
Utilities	10,000	10,000	12,257	(2,257)	10,000	9,462
Other	10,000	10,000	7,174	2,826	12,800	8,404
	<u>\$ 1,069,973</u>	<u>\$ 1,069,973</u>	<u>\$ 1,129,562</u>	<u>\$ (59,589)</u>	<u>\$ 1,038,222</u>	<u>\$ 904,086</u>
						<u>\$ 134,136</u>
CAPITAL OUTLAY:						
Miscellaneous capital	\$ 25,000	\$ 20,000	\$ 4,884	\$ 15,116	\$ 25,000	\$ 25,000
Facility repairs	30,000	35,000	82,801	(47,801)	140,000	140,920
Vehicles/Equipment	175,000	175,000	27,256	147,744	175,000	157,087
Capital Projects (IB)	-	-	-	-	1,530,616	1,568,083
Capital Projects - Plant #2 Reconstruction	2,142,462	2,142,462	910,505	1,231,957	6,000,000	6,955,529
Capital Projects - Recon Improvements	214,246	214,246	-	214,246	400,000	400,000
Security	25,000	25,000	-	25,000	-	-
	<u>\$ 2,611,708</u>	<u>\$ 2,611,708</u>	<u>\$ 1,045,447</u>	<u>\$ 1,566,261</u>	<u>\$ 8,255,616</u>	<u>\$ 8,821,619</u>
						<u>\$ (566,003)</u>
TOTAL EXPENDITURES	<u>\$ 5,525,818</u>	<u>\$ 5,525,818</u>	<u>\$ 3,642,267</u>	<u>\$ 1,883,551</u>	<u>\$ 10,409,763</u>	<u>\$ 11,424,429</u>

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
Note to Schedules 1 and 2 – Budgetary Data
Years Ended June 30, 2014 and 2013

1. BUDGETARY DATA

In accordance with Government Code, a District budget is adopted for the General Fund (consisting of operations, maintenance, and designated modernization projects) for each fiscal year. Budgets are adopted on a basis consistent with generally accepted government accounting principles. The final approved budget for 2013-14 is presented in these financial statements. Minor line item adjustments were made to the original budget. As such, the original and revised budgets are presented in these financial statements.

RECLAMATION DISTRICT 1000, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security- Federal Emergency Management Agency <i>Passed through California Emergency Management Agency</i>	97.036	\$ 488,696

See accompanying Note to Schedule of Expenditures of Federal Awards

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
Note to Schedule 3 - Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal contract activity of Reclamation District 1000, California and is presented on the accrual basis of accounting, which is the same basis of accounting used in the financial statements.

The information in the schedule is presented in accordance with the requirements of OMB Circular A-133 and agrees to the underlying records supporting amounts presented in the financial statements.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
 Schedule 4 – Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Section I – Summary of Auditors’ Results

<u>Financial Statements</u>	
Type of auditors’ report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
Internal control over major programs:	Unqualified
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major program	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
<u>Identification of major programs:</u>	
<u>CFDA No.</u> 97.036	<u>Name of Federal Program or Cluster</u> Department of Homeland Security
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as a low-risk auditee?	No

RECLAMATION DISTRICT NO. 1000, CALIFORNIA
Schedule 4 – Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Status of Prior Year Audit Findings

None

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Reclamation District 1000, California (the District), which comprise District's basic financial statements as listed in the Table of Contents, as of June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
November 14, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Reclamation District 1000, California's (the District) compliance described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2014. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the District's major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133

We have audited the financial statements of Reclamation District 1000, California as of and for the year ended June 30, 2014, and have issued our report thereon dated November 14, 2014,

which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133. Such information 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 the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
November 14, 2014