



RECLAMATION DISTRICT 1000, CALIFORNIA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Years Ended June 30, 2011 and 2010

RECLAMATION DISTRICT 1000, CALIFORNIA

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

June 30, 2011 and 2010

BOARD OF TRUSTEES
Elected Officials

Trustees	Four-Year Term Expires
David Christophel, President	December 1, 2013
John Shiels, Vice-President	December 1, 2013
Thomas M. Gilbert, Trustee	December 1, 2013
Jim Miller, Trustee	December 1, 2013
Tom Barandas, Trustee	December 1, 2011
Jerome Smith, Trustee	December 1, 2011
Frederick Harris, Trustee	December 1, 2011

DISTRICT MANAGEMENT

General Manager
District Secretary

Paul Devereux
Terrie Figueroa

RECLAMATION DISTRICT 1000, CALIFORNIA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of Reclamation District 1000, California (the "District") as of and for the years ended June 30, 2011 and 2010, which comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Reclamation District 1000, California as of June 30, 2011 and 2010, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America and State regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of Reclamation District 1000, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

WALNUT CREEK, CALIFORNIA
November 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RECLAMATION DISTRICT NO. 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011

- At the end of the year, the District's total net assets (total assets less total liabilities) were \$ 45.9 million.
- During the year, the District's General Fund reported a total fund balance of \$5.6 million, of which \$174,241 is in inventory and \$31,865 is in prepaid insurance.
- The District's capital asset balances were \$39.5 million at year-end and decreased \$861,953 during the year, net of depreciation of \$1.037 million.
- The District has no long term debt.

The significant operation and maintenance projects undertaken during the fiscal year ended June 30, 2011 include:

- Rock revetment on levees and interior drainage canals – District crews and outside contractors placed approximately 10,350 feet of rock revetment at various locations along the District's interior canal system to address on-going erosion near the waterline of the canal banks and the waterside levee slope along the Sacramento River to deter vehicles from traversing and damaging the levee slope. The total cost of the rock revetment work was approximately \$143,503. This item was budgeted.
- Tree trimming on the Sacramento River and American River levees was done to provide visibility of the levee slopes and adjacent area during flood season to monitor the system for boils, seepage, erosion, and other levee stability issues. It was also necessary to comply with the Central Valley Flood Protection Board's Interim Guide to Vegetation on levees. The cost was \$14,400. This item was charged to field services and was budgeted.
- An Emergency Bank Protection project was undertaken along the Sacramento River at RM 68.4. High water in December eroded a 150 foot reach of bank exposing large tree roots and encroaching close to the extended levee toe. District staff and the State Central Valley Flood Protection Board staff determined this to be an emergency and the site was repaired using large rock to stabilize the bank toe, soil to reconstruct the eroded slope and a rock surface to protect the slope for the remainder of the flood season. Within two weeks of completing the emergency repairs, the river rose to near flood stage, but the site was protected. The majority of the work was done by District staff and equipment. This item was not budgeted, but the funds came from the District's Flood Emergency Response Fund.

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

- SACRAMENTO AREA FLOOD CONTROL AGENCY (SAFCA) - NATOMAS LEVEE IMPROVEMENT PROJECT – Sacramento Area Flood Control Agency - SAFCA initiated construction of the Natomas Levee Improvement Project (NLIP) in 2007. Construction activities during the current fiscal year of 2010/2011 included:
 - Vegetation planting on both the landside and waterside of the Natomas Cross Canal, with native grasses using the specialty equipped ridger-roller-seeder developed by SAFCA, was completed by Restoration Resources. Maintenance and establishment of the vegetation is the responsibility of SAFCA's contractor for three years.
 - Construction was completed on the SREL Phase 1 project Reaches 2A to 4B by Independent Construction which is south of Sankey Road to north of Elverta Road (approximately 19,200 feet) and included a seepage berm, cutoff wall, and adjacent levee construction.
 - Construction continued on the SREL Phase 2B Reaches 5A to 9B by Nordic Construction which is north of Elverta Road to south of Interstate 5 (approximately 24,400 feet) and included a seepage berm, cutoff wall and adjacent levee construction along with partial construction of a giant garter snake canal, irrigation canal, and associated structures. Completion is expected by December 1, 2011.
 - Construction was completed on the NCC Phase 2B project by Nordic Construction to complete the levee work from Highway 99 to Howsley Road (cutoff wall and levee raise).
 - Construction was initiated on the SREL Phase 3 project Reaches 10 to 12B from south of Interstate 5 to south of Powerline Road (approximately 19,100 feet) including a seepage berm, cutoff wall, and adjacent levee. Work will be completed in 2012.
 - Miscellaneous utility relocations, tree removals, structure removals, canal relocations, irrigation system relocations and other ancillary work to support ongoing and future levee construction activities

The goal of the NLIP is to provide the Natomas Basin with 100-year flood protection as soon as practical and eventually 200-year flood protection soon thereafter. SAFCA's current estimated total estimated project cost is approximately \$750 million, which would be shared by SAFCA, the State of California, and Federal Government through the Army Corps of Engineers. The Corps of Engineers' total project cost is \$1.1 billion but includes significant contingencies on work that has already been completed. It was initially anticipated the available local (SAFCA Assessment District) and state (Proposition 1E Bond) funds would be sufficient to complete the improvements necessary to achieve 100-year flood protection for the Natomas Basin. However, current estimates show this is not the case and it will be necessary for the Army Corps of Engineers to complete the levee improvements. This will require Congressional authorization which is anticipated sometime in 2012 as well as future federal

appropriations to allow completion of the project in 2016 or 2017, assuming a federal authorization and reasonable annual federal appropriations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes the entire District's assets and liabilities, with the difference representing net assets. Over time, increases or decreases in the District's net assets is one indicator of whether its financial 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 on pages 15 and 17 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. The notes can be found beginning on page 18 of the report.

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. The RSI and related notes can be found on pages 33 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The largest portion of the District's net assets (86%) 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 \$292,790 decrease in net assets is largely due to current year depreciation. The District does not have business-type activity to report (See Table 1).

TABLE 1
Condensed Statements of Net Assets
June 30, 2011 and 2010
(in thousands)

	Governmental Activities	
	2011	2010
Current and other assets	\$ 6,692	\$ 6,262
Capital assets	<u>39,524</u>	<u>40,386</u>
Total assets	46,216	46,648
Current and other liabilities	322	461
Net assets:		
Invested in capital assets, net	39,524	40,386
Unrestricted net assets	<u>6,370</u>	<u>5,801</u>
Total net assets	<u>\$ 45,894</u>	<u>\$ 46,187</u>

Capital Assets, Net of Related Debt

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

\$22.3 million in capital assets and \$661,556 in accumulated depreciation were retroactively recognized as of June 20, 2002 in the June 2003 statements, due to implementation of GASB Statement No. 34.

During the fiscal year ended June 30, 2011, additions to capital assets included \$108,975 for a new mower, \$53,940 for a long stick excavator, \$2,748 and \$1,731 for a new generator for the office and new computer for the shop, respectively, as well as \$6,141 for security cameras for various pumping plants. These items were budgeted.

There is no associated debt with any capital assets.

Restricted Net Assets

The District has no restricted net assets as of June 30, 2011.

Unrestricted Net Assets

The District’s unrestricted net assets as of June 30, 2011 totaled \$6.4 million. The Board has previously assigned \$2,480,404 million of these funds to a specific capital reserve fund and a fund for the accrued actuarial liability for Other Post Employment Benefits as defined in the actuarial report prepared for the District as of June 30, 2011. These individual fund designations can be unassigned by the Board of Trustees.

The Fund balances as of June 30, 2011 are assigned as follows:

<u>Fund</u>	<u>Assigned balance</u>
Capital equipment	\$ -
Equipment replacement	30,291
Pumping plant	120,000
Emergency flood fight	855,327
Internal service (OPEB)	921,551
General capital	<u>553,235</u>
Total assigned fund balances	2,480,404
Unassigned (O&M) fund balance	<u>3,889,288</u>
Total fund balances	<u>\$ 6,369,692</u>

Change in Net Assets for Governmental Activities

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

TABLE 2
Condensed Statements of Activities
Years Ended June 30, 2011 and 2010
(in thousands)

	Governmental Activities	
	2011	2010
Program Revenues:		
Charges for services	\$ 112	\$ 18
Capital Contributions	900	900
General Revenues:		
Assessment revenues	2,239	2,236
Investment earnings	22	35
Miscellaneous income	143	85
Total Revenues	3,416	3,274
Expenses:		
Flood Protection	3,709	3,540
Change in net assets	(293)	(266)
Net assets , beginning of year	46,187	46,453
Net assets, end of year	\$ 45,894	\$ 46,187

The District's net assets decreased by \$292,790 during the current fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the fiscal year end, the District's governmental fund reported a combined fund balance of \$5.6 million, an decrease of \$304,697 from the previous year's fund balance. This decrease is due to current year expenditures exceeding current year revenues. All of the current year-end fund balance of \$5.6 million has been assigned 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 \$2.517 million. Assessment revenue of \$2.2 million represents 89% of revenue for the governmental funds. Expenditures from governmental funds were \$2.82 million, which resulted in a deficit of \$304,697.

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, 2011:

TABLE 3
Fund Revenues - Budget to Actual Comparisons

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Property Assessments	\$ 2,228,000	\$ 2,238,610	\$ 10,610
Rents, easements, and fees for services	36,380	112,961	76,581
Interest	37,500	21,998	(15,502)
Other	15,000	141,759	126,759
Reimbursement Revenue from SAFCA	900,000	-	(900,000)
Finance Charges and penalties	300	1,356	1,056
Total	<u>\$ 3,217,180</u>	<u>\$ 2,516,684</u>	<u>\$ (700,496)</u>

Changes from the Amount Originally Budgeted

No revisions were made to original budgeted revenues.

Actual Revenues/Financing Sources Compared with Final Budgeted Amounts

Actual revenues and other financing sources recognized by the District's General fund were \$700,496 less than budget. The variance resulted primarily from a delay in the reimbursement for O&M charges by SAFCA of \$900,000 until June 2012, offset by additional reimbursement from FEMA of \$80,212, additional assessments of \$10,610, a temporary construction easement fee of \$29,600, and \$16,000 from the sale of an excavator. The variance in the assessment is the difference in the amount budgeted per the initial Assessment Engineer's Report and changes made to the tax roll in land use and subdivisions as of July 15, 2011 when the final roll is submitted to the Counties.

Actual Expenditures/Other Financing Uses Compared with Final Budgeted Amounts

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

TABLE 4
Expenditures – Budget to Actual Comparisons

	Revised Budget	Actual	Variance
Flood Protection	\$ 2,814,254	\$ 2,821,381	\$ (7,127)

The original expenditure budget was amended and increased by \$63,300 primarily to reflect a large increase in overtime wages due to the long rainy season and above normal rainfall causing an extended period of high river stages requiring 24-hour patrols and higher than normal pumping costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 20, 2011, the District has \$51.98 million invested in capital assets including land, buildings, infrastructure, and equipment (See Table 5)

Table 5
Changes in Capital Assets

	As of June 30, 2011	As of June 30, 2010	Increase (Decrease)
Lands and rights of way	\$ 2,168,479	\$ 2,168,479	\$ -
Buildings, pump plants and improvements	21,618,516	21,612,375	6,141
Infrastructure	26,391,075	26,391,075	-
Equipment	<u>1,802,784</u>	<u>1,743,873</u>	<u>58,911</u>
Total capital assets	<u>\$ 51,980,854</u>	<u>\$ 51,915,802</u>	<u>\$ 65,052</u>

The 2011 capital additions were:

- New Equipment: Mower (\$108,975) and Long Stick Excavator (\$53,940), Bucket for Komatsu (\$1,500)
- Security cameras – plants (\$6,141)
- New office generator and shop computer: \$4,479.

The 1996 JD Excavator was sold. The original value was \$110,014 and was fully depreciated.

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

Debt Administration

As of June 30, 2011, the District had no long-term debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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

BASIC FINANCIAL STATEMENTS

RECLAMATION DISTRICT 1000, CALIFORNIA
 Statements of Net Assets
 June 30, 2011 and 2010

	Governmental Activities	
ASSETS	2011	2010
ASSETS:		
Cash	\$ 762,937	\$ 1,303,278
Pooled cash and investments	4,648,911	3,999,442
Assessments receivable	53,540	57,716
Reimbursement receivable from SAFCA	900,000	-
Grant reimbursement receivable	-	676,691
Interest receivable	833	968
Other receivables	118,920	18,105
Prepaid expenses	31,865	30,988
Inventory	174,241	174,241
Capital assets, net	39,524,492	40,386,445
 TOTAL ASSETS	 \$ 46,215,739	 \$ 46,647,874
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 105,887	\$ 279,938
Accrued payroll and related	99,620	91,054
Net OPEB Obligation	94,494	68,354
Deposits	21,554	21,554
Total liabilities	321,555	460,900
 NET ASSETS:		
Invested in capital assets, net of \$-0- related debt	39,524,492	40,386,445
Unrestricted	6,369,692	5,800,529
Total net assets	45,894,184	46,186,974
 TOTAL LIABILITIES AND NET ASSETS	 \$ 46,215,739	 \$ 46,647,874

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
Statements of Activities
For the Years Ended June 30, 2011 and 2010

	2011		2010		
	Expenses	Program Revenues	Capital Contributions and Grants	Net (Expense) Revenues and Changes in Net Assets	Net (Expense) Revenues and Changes in Net Assets
	Charges for Services	Governmental Activities	Expenses	Program Revenues	Capital Contributions and Grants
GOVERNMENTAL ACTIVITIES:					
Flood Protection	\$ 3,709,474	\$ 112,961	\$ 900,000	\$ (2,696,513)	\$ 900,000
				\$ 3,539,722	\$ 18,380
					\$ (2,621,342)
GENERAL REVENUES:					
Assessments		2,238,610			2,236,067
Interest		21,998			35,149
Miscellaneous		143,115			84,592
Total general revenues		2,403,723			2,355,808
CHANGE IN NET ASSETS		(292,790)			(265,534)
NET ASSETS, BEGINNING OF YEAR		46,186,974			46,452,508
NET ASSETS, END OF YEAR		\$ 45,894,184			\$ 46,186,974

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

RECLAMATION DISTRICT 1000, CALIFORNIA
 Balance Sheets - Governmental Fund
 Years Ended June 30, 2011 and 2010

		General Fund	
ASSETS		<u>2011</u>	<u>2010</u>
Cash		\$ 762,937	\$ 1,303,278
Pooled cash and investments		<u>4,648,911</u>	<u>3,999,442</u>
		<u>5,411,848</u>	<u>5,302,720</u>
Receivables:			
Interest receivable		833	968
Reimbursement receivable from SAFCA		-	676,691
Assessments		53,540	57,716
Other		<u>118,920</u>	<u>18,105</u>
		<u>173,293</u>	<u>753,480</u>
Other assets:			
Prepaid insurance		31,865	30,988
Inventory		<u>174,241</u>	<u>174,241</u>
		<u>206,106</u>	<u>205,229</u>
TOTAL ASSETS		<u>\$ 5,791,247</u>	<u>\$ 6,261,429</u>
LIABILITIES			
Accounts payable		\$ 105,887	\$ 279,938
Accrued payroll and related		99,620	91,054
Deposits		<u>21,554</u>	<u>21,554</u>
		<u>227,061</u>	<u>392,546</u>
FUND BALANCE			
Unreserved:			
Board-assigned and long term		2,480,404	1,977,510
Other		<u>3,083,782</u>	<u>3,891,373</u>
Total fund balance		<u>5,564,186</u>	<u>5,868,883</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 5,791,247</u>	<u>\$ 6,261,429</u>

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

RECLAMATION DISTRICT 1000, CALIFORNIA

Reconciliation of the Balance Sheets to the Statements of Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
TOTAL GOVERNMENTAL FUND BALANCE (page 14)	\$ 5,564,186	\$ 5,868,883
Amounts reported for governmental activities but not included in the governmental fund:		
Non-financial resources:		
Capital assets, net	39,524,492	40,386,445
Net OPEB obligation	(94,494)	(68,354)
Reimbursement receivable from SAFCA	<u>900,000</u>	<u>-</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 12)	<u>\$ 45,894,184</u>	<u>\$ 46,186,974</u>

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, 2011 and 2010

	General Fund	
	2011	2010
REVENUES:		
Property assessments	\$ 2,238,610	\$ 2,236,067
Grants and related	-	693,370
Rents, easements, and fees for services	112,961	18,380
Interest	21,998	35,149
Other	141,759	84,301
Reimbursement revenue from SAFCA	-	900,000
Finance charges and penalties	1,356	291
Total revenues	2,516,684	3,967,558
EXPENDITURES:		
Flood Protection:		
Operations	1,794,326	1,661,535
Administration	799,388	782,097
Capital outlay	227,667	396,491
Total expenditures	2,821,381	2,840,123
NET CHANGE IN FUND BALANCE	(304,697)	1,127,435
FUND BALANCE, BEGINNING OF YEAR	5,868,883	4,741,448
FUND BALANCE, END OF YEAR	\$ 5,564,186	\$ 5,868,883

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
 Reconciliation of Revenues, Expenditures, and Changes in Fund Balances to Statements of Activities
 June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND (page 16)	\$ (304,697)	\$ 1,127,435
<p>Amounts reported for governmental activities in the statement of net assets is different because:</p> <p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	175,035	398,389
Current year depreciation expense	(1,036,988)	(1,059,386)
Recognition of receivable from FEMA previously recognized in governmental activities	-	(693,470)
Recognition of receivable from SAFCA recognized in governmental activities	900,000	-
Difference in OPEB annual required contribution and benefits paid in the current year	<u>(26,140)</u>	<u>(38,502)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13)	<u>\$ (292,790)</u>	<u>\$ (265,534)</u>

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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. As required by GASB Statement No. 34, the basic financial statements of the District are comprised of the following:

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

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

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

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

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

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

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

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

The General Fund is the general operating and maintenance fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The Board of Trustees has assigned a reserve of \$2,480,404 of the \$6,276,764 fund balance for various purposes. Such amounts are not legally restricted, and the Board has the authority to unassign such reserves.

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

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

For the years ended June 30, 2011 and 2010, the District has no proprietary funds.

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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. Government fund financial statements use the modified accrual basis of accounting. Proprietary funds would use the accrual basis of accounting.

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.

Fund Accounting

The accounts of the District are organized on the basis of a general fund, which is considered to be a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District currently has only one governmental fund, the general fund.

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.

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Cash Equivalents

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

Inventory

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

Capital Assets

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

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

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

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

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

Other Postemployment Benefits

In addition to the pension benefits described in Note 4, the District provides other postemployment healthcare benefits to all employees who retire from the District on or after attaining age fifty-five with five or more years of service in accordance with CalPERS statutes.

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The District pays up to a maximum amount based upon the number of family members the retiree requests to be covered. The retiree can opt for lower pension benefits in exchange for spousal coverage after the retiree's death. If the retiree opts for full coverage, the spouse then receives a one-time \$500 payment upon the retiree's death as part of the plan. At age sixty-five, coverage is reduced to include only a supplement to Medicare. For the years ended June 30, 2011 and 2010, those costs totaled \$54,852 and \$55,832, respectively, for benefits paid on behalf of eight eligible retirees.

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 \$57,950 and \$53,224 as of June 30, 2011 and 2010, respectively, has been recorded as a current expenditure and liability in the fund financial statements as it is estimated that current expendable resources will be used to pay all but an immaterial portion of the liability.

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

Assessments

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

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through November 4, 2011, the date on which the financial statements were available to be issued.

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New Accounting Pronouncements

The GASB has issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The District is required to implement the provisions of the Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This statement will not result in a change in current practice because the District does not use the alternative measurement method.

The GASB has issued Statement No. 58, "Accounting and Reporting for Chapter 9 Bankruptcies". This statement will improve financial reporting by providing more consistent recognition, measurement, display and disclosure for governments that file for Chapter 9 bankruptcy. This statement will not result in a change in current practice or have a material effect on the financial statements of the District.

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

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

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considered in making the determination. The District is required to implement the provisions of this statement for the year ended June 30, 2013. This statement will not result in a change in current practice of have a material effect on the financial statements of the District.

In December of 2010, GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements, such as FASB statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure. The District is required to implement the provisions of this statement for the year ended June 30, 2013. This statement will not result in a change in current practice or have a material effect upon the financial statements of the District.

In June of 2011, GASB issued Statement No. 63, "Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement provides financial reporting guidance for deferred outflows and deferred inflows of resources. Concepts Statement No. 4, "Elements of Financial Statements" introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This statement incorporates deferred inflows and outflows of resources into the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is required to implement the provisions of this statement for the year ended June 30, 2013. This statement will not result in a change in current practice or have a material effect on the financial statements of the District.

In June of 2011, GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions". This statement amends Statement No. 53. Certain governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as described in the swap agreement. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider, setting forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. If hedge fund accounting is ceased, there is immediate recognition of the deferred inflows or outflows of resources as a component of investment income. The District is required to implement the provisions of the statement for the year ended June 30, 2012 and will not result in a change in current practice or have a material effect on the financial statements of the District.

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2. CASH AND INVESTMENTS

As of June 30, 2011 and 2010, the carrying amount of the District's bank deposits (including money market funds) was \$762,937 and \$1,303,278, respectively, and the bank balances were \$817,263 and \$1,336,452, respectively, excluding outstanding checks. Of the bank balances, the Federal Depository Insurance Corporation insured \$250,000 by bank. The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. The remainder was covered by collateral held in the pledging financial institutions' trust departments in the District's name.

Pooled Cash and Investments

Pooled cash and investments as of June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2009</u>
Cash and investments in Sacramento County Treasury	\$ 3,947,142	\$ 3,301,225
Cash and investments in State of California Treasury (LAIF)	<u>701,769</u>	<u>698,217</u>
Total pooled cash and investments	<u>\$ 4,648,911</u>	<u>\$ 3,999,442</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 separately accounted for. 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.

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Local Area Investment Fund

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

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

All securities are purchased under the authority of Government Code Section 16430 and 16480.4 and backed by the State of California. During 2002, California Government Code Section 16429.4 was added that dictates 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, 2011, the weighted average maturity of investments is approximately 190 days and 237 days for investments held in the County Treasury and LAIF, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organization. The LAIF investment pool does not have a rating provided by a nationally recognized statistical rating organization. In addition, a current rating of the County Treasury was not available as of June 30, 2011.

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Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District and the California Government Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: the California Government Code requires that a financial institution secure deposits made by state and local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

Derivative Investments

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

3. CAPITAL ASSETS

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

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

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A summary of current-year changes to capital assets for the year ended June 30, 2010, the total of which is recorded in the government-wide statements, is shown as follows:

	June 30, 2009	Additions	Disposals	June 30, 2010
Land and rights of way	\$ 2,168,479	\$ -	\$ -	\$2,168,479
Infrastructure	26,391,075	-	-	26,391,075
Building & improvements	1,071,839	50,355	-	1,122,194
Pump equipment & improvements	20,490,181	-	-	20,490,181
Equipment	731,032	341,681	-	1,072,713
Vehicles	675,178	-	(56,666)	618,512
Office equipment	51,039	6,253	(4,644)	52,648
	51,578,823	398,289	(61,310)	51,915,802
Accumulated depreciation	(10,531,281)	(1,059,386)	61,310	(11,529,357)
	<u>\$ 41,047,542</u>	<u>\$ (661,097)</u>	<u>\$ -</u>	<u>\$40,386,445</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$1,036,988 and \$1,059,386, respectively, and was charged to the single function of the District: flood protection.

4. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

In 2003, Assembly Bill 1974 gave full authority to the CalPERS Board to implement pooling. Pooling is now mandatory for all public agency plans with less than 100 active members. All plans in a pool have the same basic benefit formula. In order to ensure similarity of other benefit

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provisions within the pool, the CalPERS Board mandated certain benefits for all pooled plans effective July 1, 2005. For these and other reasons, pooled plans have a mandatory "fresh start" of amortization bases over the net period effective for the multiple bases. As such, the District is now participating in a cost-sharing multiple-employer defined benefit pension plan entitled Miscellaneous Plan with a benefit formula of 2%@55.

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

Funding Policy Contribution Rates

The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010/11 was 13.945%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal years 2010/2011 and 2009/2010, Reclamation District 1000's annual pension costs were \$110,742 and \$101,224, respectively, and the District actually contributed \$111,483 and \$101,494, respectively, for the years ended June 30, 2011 and 2010. The required contribution for fiscal year 2010/2011 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a) 7.75% investment rate of return (net of administrative expenses); b) projected overall payroll growth rate of 4.35%, and c) 3.0% inflation rate.

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

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

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Funded Status and Funding Progress of Plan

The following data has been derived from the latest actuarial valuation report date, June 30, 2009:

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

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 with 100% vesting. The plan also provides for dependent coverage. The District's benefit cap for a single individual is \$434 per month; the two-party benefit cap is \$868 per month; and the family benefit cap is \$1,125 per month.

Funding Policy. As of June 30, 2011, the District had not determined the plan's pre-funding vehicle but had earmarked approximately \$921,551 toward the future obligation in a separate bank account. Subsequent to year-end, the District contracted with the CalPERS Employee Retirement Benefit Trust Fund and deposited approximately \$500,000 in trust (or approximately 50% of the accrued liability according to the latest actuarial valuation).

Postemployment healthcare benefits are currently paid on a pay-as-you go basis. In accordance with the parameters of GASB Statement No. 45, the District's annual required contribution (ARC) is an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 11.94% of the annual covered payroll, based on the most recent actuarial report dated June 30, 2011.

Annual OPEB Cost. In accordance with the requirements of GASB 45, the District obtains an OPEB actuarial study once every two years. It is the District's policy to use a level Annual Required Contribution, as calculated on the latest actuarial study, on "off years". The District's annual OPEB cost was \$80,994 and \$94,334, respectively, for the years ended 2011 and 2010. 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 are as follows:

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Trend Information

Fiscal year <u>Ended:</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/09	\$ 94,334	68.4%	\$ (29,852)
6/30/10	\$ 94,334	59.2%	\$ (68,354)
6/30/11	\$ 81,054	67.7%	\$ (94,494)

GASB Statement No. 45 was implemented during the current year and 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Normal cost	\$ 20,640	\$ 38,115
UAAL amortization	59,643	56,219
Residual UAAL amortization	<u>711</u>	<u>-</u>
Total annual required contribution	81,054	94,334
Pay-As-You-Go cost	<u>54,854</u>	<u>55,832</u>
Addition to Net OPEB obligation	<u>\$ 26,140</u>	<u>\$ 38,502</u>

Funded Status and Funding Progress. The schedule of funding progress and funded status of the plan as of June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Actuarial accrued liability (AAL)	\$ 998,668	\$ 1,269,243
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>998,668</u>	<u>1,269,243</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 678,286	\$ 593,178
UAAL as a percentage of covered payroll	147%	214%

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.

RECLAMATION DISTRICT 1000, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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

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

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

5. CONTINGENCIES

The District has programs for public liability and property damage. There have been no settlements related to these programs that exceed insurance coverage during the 2010/2011 fiscal year. The District retains the risk for all loss exposure in excess of insurance coverage. Claims, expenditures, and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated.

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

REQUIRED SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT 1000, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Years Ended June 30, 2011 and 2010

	2011				2010			
	Original Budget	Final Amended Budget	Actual	Variance	Original Budget	Final Amended Budget	Actual	Variance
REVENUES								
Property assessments	\$ 2,228,000	\$ 2,228,000	\$ 2,238,610	\$ 10,610	\$ 2,228,000	\$ 2,228,000	\$ 2,236,067	\$ 8,067
Grants	-	-	-	-	-	-	693,370	693,370
Rents, easements, and fees for services	36,380	36,380	112,961	76,581	16,580	16,580	18,380	1,800
Interest	37,500	37,500	21,998	(15,502)	50,250	50,250	35,149	(15,101)
Other	15,000	15,000	141,759	126,759	35,000	35,000	84,301	49,301
Reimbursement revenue from SAFCA	900,000	900,000	-	(900,000)	900,000	900,000	900,000	-
Finance charges and penalties	300	300	1,356	1,056	500	500	291	(209)
Total revenues	3,217,180	3,217,180	2,516,684	(700,496)	3,230,330	3,230,330	3,967,558	737,228
EXPENDITURES								
Flood Protection								
Operations	1,679,354	1,699,354	1,794,326	(94,972)	1,626,502	1,626,502	1,661,535	(35,033)
Administration	846,600	889,900	799,388	90,512	983,429	926,657	782,097	201,332
Capital outlay	225,000	225,000	227,667	(2,667)	415,000	415,000	396,491	18,509
Total expenditures	2,750,954	2,814,254	2,821,381	(71,127)	3,024,931	2,968,159	2,840,123	184,808
NET CHANGE IN FUND BALANCE	466,226	402,926	(304,697)	(707,623)	205,399	262,171	1,127,435	922,036
FUND BALANCE, BEGINNING OF YEAR	5,868,883	5,868,883	5,868,883	-	3,839,648	3,839,648	3,839,648	-
FUND BALANCE, END OF YEAR	\$ 6,335,109	\$ 6,271,809	\$ 5,564,186	\$ (707,623)	\$ 4,045,047	\$ 4,101,819	\$ 4,967,083	\$ 922,036

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

RECLAMATION DISTRICT 1000, CALIFORNIA
 Schedule of Expenditures - Budget and Actual - General Fund
 Years Ended June 30, 2011 and 2010

	2011				2010			
	Original Budget	Final Amended Budget	Actual	Variance	Original Budget	Final Amended Budget	Actual	Variance
OPERATIONS								
Power	\$ 400,000	\$ 400,000	\$ 467,050	\$ (67,050)	\$ 400,000	\$ 400,000	\$ 366,426	\$ 33,574
Utilities	18,000	18,000	17,434	566	16,500	16,500	17,689	(1,189)
Herbicides	50,000	50,000	46,920	3,080	50,000	50,000	36,424	13,576
Field services	75,000	75,000	38,591	36,409	75,000	75,000	94,955	(19,955)
Consultants	25,000	25,000	23,544	1,456	-	-	-	-
Materials and supplies	20,000	20,000	19,365	635	20,000	20,000	15,392	4,608
County fees - field	-	-	1,701	(1,701)	-	-	76	(76)
Refuse collection	9,000	9,000	4,138	4,862	9,000	9,000	6,408	2,592
Memberships - field	-	-	-	-	-	-	225	(225)
Compensation	727,354	727,354	830,654	(103,300)	709,002	709,002	752,913	(43,911)
Fuel	55,000	80,000	81,181	(1,181)	55,000	55,000	50,085	4,915
Equipment repairs and rental	75,000	72,000	15,012	56,988	75,000	75,000	96,599	(21,599)
Equipment supplies	50,000	48,000	38,045	9,955	50,000	50,000	41,342	8,658
Contingency	5,000	5,000	12,144	(7,144)	5,000	5,000	1,676	3,324
Facility repairs	140,000	140,000	174,597	(34,597)	135,000	135,000	154,842	(19,842)
Off Duty Patrol	30,000	30,000	23,950	6,050	27,000	27,000	26,483	517
	<u>\$ 1,679,354</u>	<u>\$ 1,699,354</u>	<u>\$ 1,794,326</u>	<u>\$ (94,972)</u>	<u>\$ 1,626,502</u>	<u>\$ 1,626,502</u>	<u>\$ 1,661,535</u>	<u>\$ (35,033)</u>
ADMINISTRATION:								
Assessment	\$ 40,000	\$ 40,000	\$ 34,899	\$ 5,101	\$ 40,500	\$ 40,500	\$ 39,636	\$ 864
Office supplies and equipment	11,000	13,000	14,032	(1,032)	10,952	16,452	16,459	(7)
Liability and auto insurance	110,000	110,000	111,162	(1,162)	133,272	120,000	114,726	5,274
Uninsured losses	1,000	1,000	1,877	(877)	5,000	5,000	1,105	3,895
Group insurance	95,000	162,300	161,351	949	169,413	169,413	153,106	16,307
Dental/vision insurance	13,000	13,000	11,876	1,124	12,697	12,697	12,923	(226)
Workers' compensation insurance	25,000	25,000	32,387	(7,387)	21,281	21,281	26,689	(5,408)
Memberships	30,000	30,000	27,542	2,458	28,045	28,045	27,019	1,026
Legal	98,500	78,500	63,386	15,114	98,500	98,500	100,777	(2,277)
Engineering	90,000	76,500	61,875	14,625	80,000	80,000	43,682	36,318
Public relations, legislative analyst	40,000	40,000	7,405	32,595	40,000	40,000	-	40,000
Audit	13,000	13,000	11,090	1,910	11,500	11,500	12,990	(1,490)
Administrative services	26,200	26,200	18,289	7,911	30,895	30,895	15,344	15,551
Payroll taxes	55,500	55,500	67,070	(11,570)	55,426	55,426	56,984	(1,558)
Pension	110,000	110,000	111,484	(1,484)	107,273	107,273	101,494	5,779
Trustees fees	33,100	33,100	36,398	(3,298)	33,075	33,075	31,275	1,800
County fees	3,500	3,500	2,023	1,477	5,400	5,400	1,053	4,347
Mitigation land taxes	2,200	9,700	9,552	148	2,200	2,200	2,074	126
Urbanization committee	5,000	5,000	-	5,000	5,000	5,000	-	5,000
Property Taxes (SAFCA CAD)	2,500	2,500	2,376	124	2,500	2,500	2,358	142
Election Costs	-	-	-	-	50,000	1,000	900	100
OPEB - ARC	30,000	30,000	-	30,000	30,000	30,000	-	30,000
Other	12,100	12,100	13,314	(1,214)	10,500	10,500	21,503	(11,003)
	<u>\$ 846,600</u>	<u>\$ 889,900</u>	<u>\$ 799,388</u>	<u>\$ 90,512</u>	<u>\$ 983,429</u>	<u>\$ 926,657</u>	<u>\$ 782,097</u>	<u>\$ 144,560</u>
CAPITAL OUTLAY:								
Emergency repairs	\$ -	\$ -	\$ 54,101	\$ (54,101)	\$ 40,000	\$ 40,000	\$ -	\$ 40,000
Facility repairs	25,000	25,000	-	25,000	50,000	50,000	50,356	(356)
Vehicles/Equipment	200,000	200,000	170,555	29,445	325,000	325,000	341,682	(16,682)
Office Equipment	-	-	3,011	(3,011)	-	-	4,453	(4,453)
	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 227,667</u>	<u>\$ (2,667)</u>	<u>\$ 415,000</u>	<u>\$ 415,000</u>	<u>\$ 396,491</u>	<u>\$ 18,509</u>

The accompanying notes are an integral part of the financial statements

RECLAMATION DISTRICT 1000
Note to Required Supplementary Information – Budgetary Data

1. Budgetary Data

In accordance with Government Code, a District budget is adopted for the General Fund (consisting of operations, maintenance, and designated modernization projects) for each fiscal year. Budgets are adopted on a basis consistent with generally accepted government accounting principles. Minor line item adjustments were made to the original budget during the 2010/2011 and the final approved budget for 2010/2011 is presented in these financial statements. Similarly, minor line item adjustments were made to the original 2009/2010 budget and the final approved budget for 2009/2010 is presented in these financial statements.



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

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

We have audited the financial statements of the governmental activities of Reclamation District 1000, California (the District), as of and for the year ended June 30, 2011, which comprise the basic financial statements of Reclamation District 1000, California and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
November 4, 2011