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**RECLAMATION DISTRICT 900, CALIFORNIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**WITH INDEPENDENT AUDITORS' REPORTS THEREON**

**Years Ended June 30, 2014 and 2013**

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# RECLAMATION DISTRICT 900, CALIFORNIA

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June 30, 2014 and 2013

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**RECLAMATION DISTRICT 900, CALIFORNIA**

**P.O. Box 673**

**West Sacramento, California 95691**

**Tel: (916) 371-1483**

**June 30, 2014 and 2013**

**BOARD OF TRUSTEES**

**Elected Officials**

**Trustees**

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**W.E. Denton, President**

**P. Palamidessi, Vice-president**

**D. Ramos, Trustee**

**E.G. Bryan, Trustee**

**B. Turner, Trustee**

**DISTRICT MANAGEMENT**

**K. Ruzich, District Manager**

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Reclamation District 900, California  
West Sacramento, California

We have audited the accompanying financial statements of the governmental activities of Reclamation District 900, 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 900, 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**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

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 January 29, 2015, 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  
January 29, 2015

**BASIC FINANCIAL STATEMENTS**

**RECLAMATION DISTRICT 900, CALIFORNIA**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

**ASSETS**

	Governmental Activities	
	2014	2013
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,316,927	\$ 1,996,051
Accounts receivable	97,248	83,500
Prepaid expenses and other	12,371	10,750
Capital assets, net	12,547,226	12,844,103
<b>TOTAL ASSETS</b>	<b>\$ 14,973,772</b>	<b>\$ 14,934,404</b>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES -</b>		
Accounts payable and accrued expenses	\$ 4,900	\$ 12,688
<b>LONG TERM LIABILITIES -</b>		
Compensated absences payable	38,545	41,802
<b>Total liabilities</b>	<b>43,445</b>	<b>54,490</b>
<b>NET POSITION:</b>		
Invested in capital assets, net of \$-0- related debt	12,547,226	12,844,103
Unrestricted	2,383,101	2,035,811
<b>Total net position</b>	<b>14,930,327</b>	<b>14,879,914</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,973,772</b>	<b>\$ 14,934,404</b>

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA  
 Statements of Activities  
 Years Ended June 30, 2014 and 2013

	2014			2013		
	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position	Changes for Services	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities		Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES						
Flood Protection	\$ 1,144,417	\$	\$ (1,144,417)	\$	\$ 8,523,325	\$ 7,511,908
GENERAL REVENUES						
Assessments			1,138,275			1,138,275
Interest			6,134			4,872
Miscellaneous			30,417			29,603
Total general revenues			1,191,856			1,164,083
CHANGE IN NET POSITION			50,113			8,695,991
NET POSITION, BEGINNING OF YEAR			14,879,914			6,183,923
NET POSITION, END OF YEAR			\$ 14,930,327			\$ 14,879,914



**RECLAMATION DISTRICT 900, CALIFORNIA**

**Balance Sheets - Governmental Fund**

June 30, 2014 and 2013

	<u>Governmental Fund</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,316,927	\$ 1,996,051
Assessments receivable	97,248	83,500
Prepaid expenses and other	<u>12,371</u>	<u>10,750</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,426,546</u></b>	<b><u>\$ 2,090,301</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES -</b>		
Accounts payable and accrued expenses	\$ 4,900	\$ 12,688
<b>FUND BALANCE -</b>		
Unreserved (operations)	2,288,816	1,945,213
Assigned	<u>132,830</u>	<u>132,400</u>
	<u>2,421,646</u>	<u>2,077,613</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,426,546</u></b>	<b><u>\$ 2,090,301</u></b>

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

**RECLAMATION DISTRICT 900, CALIFORNIA**  
 Reconciliation of the Balance Sheets of  
 Governmental Fund to the Statements of Net Position - Government-wide  
 June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
TOTAL GOVERNMENTAL FUND BALANCE	\$ 2,421,646	\$ 2,077,613
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES BUT NOT INCLUDED IN THE GOVERNMENTAL FUND:		
Nonfinancial resources -		
Capital assets, net of accumulated depreciation	12,547,226	12,844,103
Long-term liabilities, consisting of compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds	(38,545)	(41,802)
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$ 14,930,327	 \$ 14,879,914

The accompanying notes are an integral part of the financial statements

**RECLAMATION DISTRICT 900, CALIFORNIA**  
**Statements of Revenues, Expenditures, and Changes**  
**in Fund Balance - Governmental Fund**  
**Years Ended June 30, 2014 and 2013**

	Governmental Fund	
	2014	2013
<b>REVENUES:</b>		
Property assessments	\$ 570,949	\$ 567,307
Maintenance fee from JPA	587,326	562,301
Interest	6,134	4,872
Other	30,447	29,603
Total revenues	1,194,856	1,164,083
<b>EXPENDITURES:</b>		
Flood Protection:		
Operations	336,160	418,334
Administration	426,534	437,009
Capital outlay and maintenance	88,129	105,633
Total expenditures	850,823	960,976
<b>CHANGE IN FUND BALANCE</b>	344,033	203,107
<b>FUND BALANCE, BEGINNING OF YEAR</b>	2,077,613	1,874,506
<b>FUND BALANCE, END OF YEAR</b>	\$ 2,421,646	\$ 2,077,613

The accompanying notes are an integral part of the financial statements

**RECLAMATION DISTRICT 900, CALIFORNIA**  
 Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances  
 to the Statements of Activities  
 Years Ended June 30, 2014 and 2013

	2014	2013
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 344.033	\$ 203.107
AMOUNTS REPORTED IN GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION IS DIFFERENT BECAUSE:		
Governmental fund 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:		
Additions to capital assets, net of reclassification of deposit on capital projects	-	8,602.854
Current year depreciation expense	(296.877)	(113.775)
Receivables not received within 90 days subsequent to fiscal year end are not considered financial resources	-	-
Change in the liability for compensated absences is not recorded as expenditures in the governmental funds because they are not expected to be liquidated with current financial resources.	<u>3.257</u>	<u>3.805</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 50.413</u>	<u>\$ 8,695.991</u>

The accompanying notes are an integral part of the financial statements

## RECLAMATION DISTRICT 900, 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 900, California (the "District") was created by Act of the Legislature in the Statutes of 1911. The District is situated in Yolo County. The District operates under the laws of the Water Code of the State of California. Division 15, Sections 50000 through 53900. The District is governed by a Board of Trustees consisting of five land owners within the District.

#### *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 unit of that 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function.

## RECLAMATION DISTRICT 900, CALIFORNIA

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

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**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 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 and 2013, the entire fund balance is considered unreserved except for \$132,830 and \$132,400, respectively, which has been assigned by the board for contingency purposes.

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

The District has no proprietary funds as of June 30, 2014 and 2013.

#### ***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 use the accrual basis of accounting.

## RECLAMATION DISTRICT 900, CALIFORNIA

### Notes to Financial Statements

Years Ended June 30, 2014 and 2013

**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 cost, such as depreciation and amortization, are not recognized on governmental fund financial statements. In addition, in governmental fund statements, additions to fixed assets are charged to expense in the year of acquisition instead of capitalized as fixed assets and depreciated over their estimated useful lives.

#### ***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's currently has only one governmental fund, the general fund.

#### ***Assessments***

The District calls for an annual assessment for revenue to continue its reclamation functions based on an assessment valuation of the District. An assessment was levied for \$.020 on each \$100 of the Reclamation District 900 assessment valuation roll. Yolo County bills and collects the assessments and credits the general fund account maintained by the County Treasurer, for 50% in December, 45% in April, and 5% in June.

**RECLAMATION DISTRICT 900, CALIFORNIA**  
Notes to Financial Statements  
Years Ended June 30, 2014 and 2013

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***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.

***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 the fiscal years ended June 30, 2014 and 2013.

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 the fiscal years ended June 30, 2014 and 2013.

***Cash and 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.

***Capital Assets***

Capital assets, which include a pump station and various types of equipment, are recorded as assets in the government-wide financial statements. For the fund financial statements, capital outlays are recorded as expenditures of the general fund. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation and recorded as capital contributions in the accompanying financial government-wide financial statements.

The District's capitalization thresholds are \$2,500 for office equipment, \$5,000 for field equipment, \$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.



**RECLAMATION DISTRICT 900, CALIFORNIA**  
Notes to Financial Statements  
Years Ended June 30, 2014 and 2013

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

Asset Class	Years
Machinery and equipment	7
Vehicles	8
Generators	20
Pump Stations	50

***Compensated Absences***

Accumulated unpaid employee vacation benefits as well as 25% of untaken sick leave benefits are recognized as a long-term liability of the District on the government-wide financial statements. The General Fund generally liquidates compensated absences. The balance at June 30, 2014 and 2013 was \$38,545 and \$41,802, respectively.

***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 January 29, 2015, the date upon 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

## RECLAMATION DISTRICT 900, CALIFORNIA

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

employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

#### Cost-sharing employers

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

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

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

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

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

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

## RECLAMATION DISTRICT 900, CALIFORNIA

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

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

Cash and investments at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 500	\$ 500
Deposits with Financial Institutions	70,135	11,222
Pooled Cash and Investments with County Treasury	<u>2,113,462</u>	<u>1,984,329</u>
Total Cash and Investments	<u>\$ 2,316,927</u>	<u>\$ 1,996,051</u>

The District has not adopted an investment policy. The District relies on the Yolo County Treasury to maintain investments in accordance with the State of California policies.

#### *Yolo County Treasury*

As provided for by the California Government Code, the District maintains cash in the Yolo 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 and 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.

## RECLAMATION DISTRICT 900, CALIFORNIA

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

The County Treasurer 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.

### 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 held in the County Treasury was 370 days.

### 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. As of June 30, 2014, the County Treasury is not rated.

The District has no limitation on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District and the California Government Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: the California Government Code requires that a financial institution secure deposits made by state and local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

All bank deposits as of June 30, 2014 and 2013 are insured by the Federal Depository Insurance Corporation (FDIC).

### Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

## RECLAMATION DISTRICT 900, CALIFORNIA

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

Additional disclosure detail required by Government Accounting Standards Board Statement No. 3, No. 31, No. 40, and GASB Technical Bulletin 94-1, regarding cash deposits and investments, are presented in the financial statements of the County of Yolo for the year ended June 30, 2014 and 2013.

#### 4. CAPITAL ASSETS

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

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Pump stations	\$ 13,129,347	\$ -	59,517	\$ 13,188,864
Construction in progress	59,517	-	(59,517)	-
Vehicles and equipment	506,974	-	-	506,974
	<u>13,695,838</u>	<u>-</u>	<u>-</u>	<u>13,695,838</u>
Accumulated depreciation	(851,735)	(296,877)	-	(1,148,612)
Net capital assets	<u>\$ 12,844,103</u>	<u>\$ 296,877</u>	<u>-</u>	<u>\$ 12,547,226</u>

## RECLAMATION DISTRICT 900, CALIFORNIA

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

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### 5. PENSION PLAN

The District provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of employment. The District contributes 14% of the employees' salary each year. The District's contributions for each employee (and interest allocated to the employees' account) are fully vested after six years of continuous service. District contributions for, and interest forfeited by, employees who leave employment before six years of service are used to reduce the District's current-period contribution requirement.

The District's total payroll in the years ended June 30, 2014 and 2013 was \$382,363 and \$371,403, respectively. The District contributed \$48,669 and \$49,046 for the years ended June 30, 2014 and 2013, respectively, to the plan. The plan is administered through the Equitable Company.

### 6. 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.

### 7. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the District transacted business with companies wherein board members or their family members had ownership interests. Such transactions have been approved by the Board of Trustees as follows:

Rent (Turner Land Company)	\$ 8,700
Fuel (Ramos Oil Company)	30,548
Capital projects and supplies (Ramcon)	15,881

**SUPPLEMENTARY INFORMATION**

**RECLAMATION DISTRICT 900, CALIFORNIA**  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual - General Fund  
 Years Ended June 30, 2014 and 2013

	2014			2013			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
<b>REVENUES:</b>							
Property assessments	\$ 569,504	\$ 569,504	\$ 570,949	\$ 569,504	\$ 569,504	\$ 567,307	\$ (2,197)
Maintenance fee from JPA	714,369	714,369	587,326	714,369	714,369	562,301	(152,068)
Interest	1,000	1,000	6,134	1,000	1,000	4,872	3,872
Other	28,000	28,000	30,447	28,000	28,000	29,603	1,603
<b>Total revenues</b>	<u>1,312,873</u>	<u>1,312,873</u>	<u>1,194,856</u>	<u>1,312,873</u>	<u>1,312,873</u>	<u>1,164,083</u>	<u>(148,790)</u>
<b>EXPENDITURES:</b>							
Flood Protection:							
Operations	409,360	382,378	336,160	409,360	382,378	418,334	(35,956)
Administration	493,543	447,942	426,534	493,543	447,942	437,009	10,933
Capital outlay and maintenance	380,000	172,647	88,129	380,000	172,647	105,633	67,014
<b>Total expenditures</b>	<u>1,282,903</u>	<u>1,002,967</u>	<u>850,823</u>	<u>1,282,903</u>	<u>1,002,967</u>	<u>960,976</u>	<u>41,991</u>
<b>CHANGE IN FUND BALANCE</b>							
	29,970	309,906	344,033	29,970	309,906	203,107	(190,781)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,077,613</u>	<u>2,077,613</u>	<u>2,077,613</u>	<u>1,874,506</u>	<u>1,874,506</u>	<u>1,874,506</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,107,583</u>	<u>\$ 2,387,519</u>	<u>\$ 2,421,646</u>	<u>\$ 1,904,476</u>	<u>\$ 2,184,412</u>	<u>\$ 2,077,613</u>	<u>\$ (190,781)</u>



**RECLAMATION DISTRICT 900, CALIFORNIA**  
**Schedule of Expenditures - Budget and Actual - General Fund**  
**Years Ended June 30, 2014 and 2013**

	2014				2013			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATIONS</b>								
Power	\$ 80,000	\$ 70,000	\$ 49,322	\$ 20,678	\$ 80,000	\$ 70,000	\$ 52,627	\$ 17,373
Fuel	35,000	25,000	26,496	(1,496)	35,000	25,000	29,565	(4,565)
Field salaries	219,160	219,128	200,349	18,779	219,160	219,128	229,464	(10,304)
Overtime and emergency	7,500	2,000	-	2,000	7,500	2,000	1,887	113
Uniforms	2,500	2,550	2,408	142	2,500	2,550	2,510	40
Tools	4,000	4,000	3,728	272	4,000	4,000	3,409	591
Shop	2,500	3,200	4,695	(1,495)	2,500	3,200	3,485	(285)
Equipment repairs	15,000	16,000	8,241	7,759	15,000	16,000	14,124	1,876
Equipment supplies	12,000	12,000	17,824	(5,824)	12,000	12,000	11,907	93
Structural supplies	5,000	2,500	2,023	476	5,000	2,500	55,952	(53,452)
Road maintenance	1,000	1,000	-	1,000	1,000	1,000	3,915	(2,915)
Road and ditch supplies	20,000	20,000	15,235	4,765	20,000	20,000	17,190	2,810
Debris and trash removal	5,700	5,000	5,378	(878)	5,700	5,500	2,605	2,895
	<u>\$ 409,360</u>	<u>\$ 382,378</u>	<u>\$ 376,160</u>	<u>\$ 46,218</u>	<u>\$ 409,360</u>	<u>\$ 382,678</u>	<u>\$ 428,670</u>	<u>\$ (45,792)</u>
<b>ADMINISTRATION</b>								
Administrative salaries and trustee fees	\$ 172,500	\$ 139,200	\$ 174,935	\$ (35,735)	\$ 172,244	\$ 135,500	\$ 140,052	\$ (4,752)
Insurance	60,000	56,662	40,609	19,353	57,500	55,500	56,550	(1,050)
Professional services	47,000	37,000	29,464	7,536	47,000	47,000	31,110	15,890
Retirement	53,573	49,046	48,669	477	52,981	47,300	49,046	(1,746)
Payroll taxes	33,130	29,520	30,390	(870)	35,000	29,000	29,249	(2,499)
Hospitalization	56,740	44,050	37,820	18,920	48,000	48,350	32,912	15,438
Workers' compensation	23,400	42,164	20,356	21,808	18,500	22,335	19,284	(16,949)
Rent	8,700	8,700	8,700	-	7,920	8,700	8,700	-
Assessment expense	8,000	8,600	8,408	192	-	7,600	8,576	(976)
Assessment collections	12,000	12,000	11,644	356	12,000	12,000	11,628	372
Office supplies and equipment	8,000	11,000	5,921	5,079	8,000	7,000	10,314	(3,314)
Permits and fees	10,500	10,000	9,618	882	-	10,200	9,052	1,148
	<u>\$ 493,543</u>	<u>\$ 447,642</u>	<u>\$ 426,534</u>	<u>\$ 21,408</u>	<u>\$ 459,145</u>	<u>\$ 410,285</u>	<u>\$ 426,673</u>	<u>\$ 3,012</u>
<b>CAPITAL OUTLAY AND MAINTENANCE</b>								
Structural and levee repairs	\$ 60,000	\$ 120,000	\$ 29,106	\$ 90,894	\$ 60,000	\$ 60,000	\$ 59,517	\$ 483
Major equipment purchase	120,000	27,647	-	27,647	120,000	105,000	27,646	77,354
Main Drain Pump Station	150,000	-	-	-	150,000	-	-	-
Road and ditch repairs	50,000	25,000	59,023	(34,023)	50,000	50,000	18,170	31,830
	<u>\$ 380,000</u>	<u>\$ 172,647</u>	<u>\$ 88,129</u>	<u>\$ 84,518</u>	<u>\$ 380,000</u>	<u>\$ 215,000</u>	<u>\$ 105,633</u>	<u>\$ 100,367</u>

**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 900, California  
West 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 900, 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 January 29, 2015.

*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. We noted three matters we consider to be a material weaknesses as described below.

### Postretirement Benefits Policy

While not formally documented in the Employee Handbook, the District has had a practice of reimbursing one retired employee for certain postretirement healthcare costs. This practice was approved in the board minutes many years ago.

When a formal policy exists, generally accepted accounting principles (GAAP) require that an actuarial study estimate current normal costs and an estimated actuarial accrued liability based on assumptions of health care trends, inflation, mortality rates and so on. Those costs are accrued as they are earned and not on a pay-as-you-go basis (GASB Statements Nos. 43 and 45).

*We recommend that the District consider formalizing its practice in the Employee Handbook, including actuarial methods and assumptions. Upon formalization, an actuarial study of the District's postretirement benefit obligations will be required to properly report and disclose the costs and liabilities of such benefits in the financial statements in accordance with GAAP. We also recommend that the District consider possible funding vehicles for related future liabilities.*

### Year-end Accounting Close and Preparation of the Financial Statements

The District relies upon the external auditors to make year-end trial balance adjustments and prepare the financial statements with related report disclosures, in order to reflect the financial statements in accordance with generally accepted accounting principles (GAAP). Such practice is common within the governmental industry; however, relying upon external auditors is an external control, not an internal control, over financial reporting. Audit standards require auditors to characterize such reliance on external parties as a material weakness when there are material audit adjustments and added disclosures.

### *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  
January 29, 2015