

RECLAMATION DISTRICT 900, CALIFORNIA

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Years Ended June 30, 2019 and 2018

RECLAMATION DISTRICT 900, CALIFORNIA

P.O. Box 673

West Sacramento, California 95691

Tel: (916) 371-1483

June 30, 2019

BOARD OF TRUSTEES

Elected Officials

Trustees

D. Ramos, President

C. Palamidessi, Trustee

J. DeAnda, Trustee

P. Hinkel, Trustee

B. Turner, Trustee

DISTRICT MANAGEMENT

K. Jamesen, District Manager and Secretary

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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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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 February 19, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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
WALNUT CREEK, CALIFORNIA
February 19, 2020

BASIC FINANCIAL STATEMENTS

RECLAMATION DISTRICT 900, CALIFORNIA

Statements of Net Position

June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 6,100,465	\$ 5,036,993
Assessments receivable, net of allowance for doubtful accounts	3,474	1,595
Other accounts receivable	102,189	105,131
Prepaid expenses	81,740	7,975
Capital assets, net	12,551,901	11,910,836
TOTAL ASSETS	\$ 18,839,769	\$ 17,062,530
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 93,069	\$ 19,298
Compensated absences payable	54,660	40,319
Net OPEB obligation	280,417	329,809
Total liabilities	428,146	389,426
DEFERRED INFLOWS OF RESOURCES - OPEB	85,527	-
NET POSITION:		
Invested in capital assets, net of \$-0- related debt	12,551,901	11,910,836
Unrestricted	5,774,195	4,762,268
Total net position	18,326,096	16,673,104
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 18,839,769	\$ 17,062,530

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA
 Statements of Activities
 Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Capital Contributions and Grants	Governmental Activities		Charges for Services	Operating Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES:								
Flood Protection	\$ 1,879,112	\$ 720,351	\$ 359,504	\$ (799,257)	\$ 7,000	\$ 27,458	\$ (1,701,361)	
GENERAL REVENUES:								
Assessments				2,298,744			2,193,278	
Interest				116,139			48,639	
Reimbursements and other				37,366			688,489	
Total general revenues				2,452,249			2,930,406	
CHANGE IN NET POSITION				1,652,992			1,229,045	
NET POSITION, BEGINNING OF YEAR				16,673,104			15,444,059	
NET POSITION, END OF YEAR				\$ 18,326,096			\$ 16,673,104	

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA

Balance Sheets - Governmental Fund

June 30, 2019 and 2018

	Governmental Fund	
	<u>2019</u>	<u>2018</u>
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 6,100,465	\$ 5,036,993
Accounts receivable	100,688	91,131
Prepaid expenses	<u>81,740</u>	<u>7,975</u>
TOTAL ASSETS	<u>\$ 6,282,893</u>	<u>\$ 5,136,099</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES -		
Accounts payable and accrued expenses	<u>\$ 93,069</u>	<u>\$ 19,298</u>
FUND BALANCES:		
Nonspendable	81,740	7,975
Committed	140,400	137,294
Unassigned	<u>5,967,684</u>	<u>4,971,532</u>
Total fund balances	<u>6,189,824</u>	<u>5,116,801</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,282,893</u>	<u>\$ 5,136,099</u>

See independent auditors' report and notes to 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,189,824	\$ 5,116,801
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES BUT NOT INCLUDED IN THE GOVERNMENTAL FUND:		
Nonfinancial resources -		
Capital assets, net of accumulated depreciation	12,551,901	11,910,836
Grants receivable not collected within 90 days after year end	3,474	1,595
Other receivables not collected within 90 days after year end	1,501	14,000
The net OPEB obligation is not due and payable in the current period and, therefore, not reported as a liability in the governmental fund	(280,417)	(329,809)
Deferred inflows of resources related to OPEB	(85,527)	-
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	<u>(54,660)</u>	<u>(40,319)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,326,096</u>	<u>\$ 16,673,104</u>

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA
Statements of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Fund
Years Ended June 30, 2019 and 2018

	Governmental Fund	
	2019	2018
REVENUES:		
Assessments	\$ 2,303,864	\$ 2,233,616
Interest	116,139	48,639
Maintenance fee from WSAFCA	690,851	661,131
Grants	359,504	116,027
Reimbursements and other	72,367	27,358
Total revenues	3,542,725	3,086,771
 EXPENDITURES:		
Flood Protection:		
Operations	699,902	604,925
Administration	681,577	690,647
Capital outlay and maintenance	1,088,223	131,050
Total expenditures	2,469,702	1,426,622
CHANGE IN FUND BALANCES	1,073,023	1,660,149
FUND BALANCES, BEGINNING OF YEAR	5,116,801	3,456,652
FUND BALANCES, END OF YEAR	\$ 6,189,824	\$ 5,116,801

See independent auditors' report and notes to these 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ 1,073,023	\$ 1,660,149
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	1,088,221	125,050
Current year depreciation expense	(447,156)	(399,130)
The difference between the actuarially derived annual required OPEB cost and the retiree healthcare benefit paid during the year is not an expense of the governmental fund		
	(36,135)	(34,071)
Receivables not received within 90 days subsequent to fiscal year end are not considered financial resources or revenues to the fund		
	14,400	(121,907)
Receivables collected in the current year and not recognized in prior year fund revenues		
	(25,021)	-
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.		
	(14,340)	(1,046)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,652,992	\$ 1,229,045

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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 accounting principles generally accepted in the United States of America, 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

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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. The District considers all revenues available if they are collected within 90 days after year-end.

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.

The District has adopted a fund balance policy in accordance with GASB 54 requirements. The following fund balance classifications were adopted:

- **Nonspendable Fund Balance** – for funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact. Prepaid expenses are reflected as nonspendable fund balances in the accompanying financial statements.
- **Restricted Fund Balance** – for funds that are mandated for specific purposes by external parties, constitutional provisions, or enabling legislation. There are no restricted funds as of June 30, 2019 and 2018.
- **Committed Fund Balance** – for funds set aside for specific purposes by the District’s highest level of decision-making authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. These committed funds cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. Board of Trustee action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements. The Board of Trustees has committed \$140,400 and \$137,294, respectively, in funds to cover future OPEB costs as of June 30, 2019 and 2018 and has set aside such funds in a separate account in the County Treasury.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

- **Assigned Fund Balance** – for funds constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. As of June 30, 2019 and 2018, the Board of Trustees has not assigned any funds.
- **Unassigned Fund Balance** – The residual positive net resources of the general fund in excess of what can properly be classified in one of the above four categories.

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, 2019 and 2018.

Measurement Focus and 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.

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,

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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 requires an annual special assessment for revenue to continue reclamation functions, specifically, the operation and maintenance of the internal drainage system. Compliant with Article XIID of the State Constitution, commonly referred to as Proposition 218, and the Proposition 218 Omnibus Implementation Act (Government Code §53750 et seq.), a balloting proceeding was conducted. Through this proceeding, property owners approved, and the board subsequently adopted, an assessment to begin collection in fiscal year 2018/2019 at a rate of \$381.02 per equivalent benefit unit. The board also has discretionary authority to increase such rate by up to 2.25 percent each following year, if deemed necessary, based on the annual change in the Construction Cost Index (CCI) for the 20-city average with Base Year 1913 = 100, published by the Engineering News-Record (ENR). For fiscal year 2018/2019, the board determined it was not necessary to increase the assessment.

Yolo County bills and collects a majority of the assessments through property tax bills. Yolo County credits the general fund account maintained by the County Treasurer for 50% of the total assessment in December, 45% in April, and the remaining 5% in June. Those assessments unable to be added to the County Tax Bills are billed and collected directly by the District.

Budgets and Budgetary Accounting

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

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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, 2019 and 2018.

In addition to liabilities, the statement of net position reports 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. As of June 30, 2019, the District reported deferred inflows of resources related to OPEB, due to a change of assumptions. The District had no deferred inflows of resources to report in the fiscal year ended June 30, 2018.

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 level improvements, 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.

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 and levee improvements	15 - 50

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Compensated Absences

Accumulated unpaid employee vacation benefits as well as 25% of untaken sick leave benefits are recognized as a liability of the District on the government-wide financial statements. The General Fund generally liquidates compensated absences. The balance at June 30, 2019 and 2018 was \$54,600 and \$40,319, respectively.

Net OPEB Liability

For purposes of measuring the Net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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 February 19, 2020, the date upon which the financial statements were available to be issued. Based on such evaluation, no additional adjustments to or disclosures in the financial statements were deemed necessary other than the subsequent events noted in Note 3 (purchase of land and building), Note 5 (new OPEB funding vehicle) and Note 9 (consolidation of the district with the City of West Sacramento).

New Accounting Pronouncements

Implemented New GASB Pronouncements

GASB Statement No. 83, Certain Asset Retirement Obligations - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

The implementation of this pronouncement did not have a significant impact on the District's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements – The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

The implementation of this pronouncement did not have a significant impact on the District's financial statements.

Upcoming New GASB Pronouncements

GASB Statement No. 84, Fiduciary Activities – The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post employment benefit arrangements that are fiduciary activities. The requirements of the Statement are effective for the financial statements for periods beginning after December 15, 2018 (fiscal 2020). Earlier application is encouraged. The District doesn't believe this Statement will have a significant impact on the District's financial statements.

GASB Statement No. 87, Leases – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal 2021). Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objectives of this Statement (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information will also enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal 2021). Earlier application is encouraged. The requirements of this Statement should apply prospectively.

GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal 2020). Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit, and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

GASB Statement No. 91, Conduit Debt Obligations – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (fiscal 2022). Earlier application is encouraged. The District doesn't believe this Statement will have a significant impact on the District's financial statements.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 500	\$ 500
Deposits with Financial Institutions	74,740	70,779
Pooled Cash and Investments with County Treasury	<u>6,025,225</u>	<u>4,965,714</u>
Total Cash and Investments	<u>\$ 6,100,465</u>	<u>\$ 5,036,993</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. The external investment pool with the Yolo County Treasury is described as follows:

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.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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 Treasurer is overseen by the Board of Supervisors Investment 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. The County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

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, 2019 and 2018, 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

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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, 2019 and 2018 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.

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 years ended June 30, 2019 and 2018.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2019 and 2018, the District held no individual investments. All investments are held in pooled investments funds.

Within the external investment funds, deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments in such pooled funds are an uncategorized input not defined as Level 1, Level 2, or Level 3 input.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

3. 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, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2019</u>
Pump stations	\$ 13,188,864	\$ 112,274	\$ -	\$ 13,301,138
Infrastructure		648,963	-	648,963
Vehicles and equipment	1,248,137	271,403	-	1,519,540
Construction in progress		55,581		55,581
	<u>14,437,001</u>	<u>1,088,221</u>	<u>-</u>	<u>15,525,222</u>
Accumulated depreciation	<u>(2,526,165)</u>	<u>(447,156)</u>	<u>-</u>	<u>(2,973,321)</u>
Net capital assets	<u>\$ 11,910,836</u>	<u>\$ 641,065</u>	<u>\$ -</u>	<u>\$ 12,551,901</u>

Subsequent to June 30, 2019, the District paid cash of \$1,701,489 for land and a building in West Sacramento, California.

4. RETIREMENT PLANS

The District provides pension benefits for all of its full-time employees through a defined contribution plan (a money purchase plan) of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon 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 five 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 contributed \$55,559 and \$57,122 for the years ended June 30, 2019 and 2018, respectively, to the money purchase plan, including available forfeitures. The plan is administered through the Equitable Company.

During the year ended June 30, 2016, the Board of Trustees approved an additional deferred compensation retirement plan under Section 457 of the Internal Revenue Code. As of June 30, 2019, such a retirement account has been established with CalPERS with the General Manager as Administrator. Partial funding is anticipated in the near future.

5. OTHER POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Plan Description. The postemployment healthcare benefit plan was formally adopted by resolution during the year ended June 30, 2015, though the District had been paying benefits for

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

three retirees on a pay-as-you-go basis prior to adopting a formal plan. Postemployment medical benefits will be made to all qualifying retirees with benefits consistent with those offered to active employees (the district contribution is capped at 80% of the average of Sacramento area CalPERS rates). There is dependent coverage but no survivor benefit. Retiree benefits are paid to employees who have attained age 60 with twenty years of service.

Funding Policy. As of June 30, 2019, the District has not formally funded the estimated actuarially determined liability in a trust; however, the District has committed and set aside funds at the County for this purpose in the amount of \$140,400. In December 2019, the District entered into a trust agreement with CalPERS to fund the OPEB liability in a CERBT trust funding vehicle (CERBT Asset Allocation Strategy 2). As of the date of this report, \$135,400 has been contributed to such trust.

Employees Covered

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

Active employees	7
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	0
Total	<u>9</u>

Contributions

The District's plan and its contribution requirements established by board resolution, the Employee Handbook and according to current year CalPERS rates for active employees (with an 80% contribution cap). For the fiscal years ended June 30, 2019, the District made benefit payments to the health plan provider of \$14,810 on a pay-as you-go basis.

Net OPEB Liability

The District's Net OPEB Liability was measured on June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2018.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

That valuation is based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.5%
Inflation	2.75% per annum
Salary Increases	2.75% per annum
Investment rate of Return	6.5%, based on the Building Block Method
Mortality Rate ¹	Derived using CalPERS' 2014 Active Mortality Table for Miscellaneous Employees
Retirement rate	Derived using tables from the 2009 CalPERS' 2.0%@60 rates for Miscellaneous Employees experience
Healthcare trend rate	4% per annum

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The discount rate has been set equal to the long-term expected rate of return on investments.

Changes in the OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability = (a) – (b)
Roll-back balance at June 30, 2018	\$ 329,809	\$ -	\$ 329,809
Changes recognized for the measurement period			
Service cost	37,674	-	37,674
Interest on Total OPEB liability	22,181	-	22,181
Employer contributions	-	14,810	(14,810)
Net investment income	-	-	-
Benefit payments to retirees	(14,810)	(14,810)	-
Changes in assumptions	(94,437)	-	(94,437)
Net change in net OPEB liability	49,392	-	(49,392)
Balance as of June 30, 2019	\$ 280,417	\$ -	\$ 280,417

¹ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate

The following presents the Net OPEB Liability of the District if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2019:

	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (7.5%)</u>
Net OPEB Liability (Asset)	\$ 303,622	\$ 280,417	\$ 250,499

Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2019:

	<u>1% Decrease (3.0%)</u>	<u>Current Trend Rate (4.0%)</u>	<u>1% Increase (5.0%)</u>
Net OPEB Liability (Asset)	\$ 241,143	\$ 280,417	\$301,539

OPEB Plan Fiduciary Net Position

The District's Fiduciary Net Position is zero as the OPEB plan has not been formally funded in a trust. As mentioned above and subsequent to June 30, 2019, the District entered into a trust agreement with CalPERS to fund the OPEB liability in a CERBT trust funding vehicle (CERBT Asset Allocation Strategy 2). As of the date of this report, \$135,400 has been contributed to such trust.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining Service lifetime (EARSL)

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

OPEB Expense and Deferred Outflows Related to OPEB

As of June 30, 2019 and 2018, there were no deferred outflows of resources related to OPEB; deferred inflows of resources related to OPEB are from the following sources:

	2019	2018
	Deferred Inflows of Resources	Deferred Inflows of Resources
	<u>\$ -</u>	<u>\$ -</u>
Balance at June 30, 2018		
Deferred inflows newly created:		
Changes in assumptions related to discount rate	94,437	-
Recognition of change in deferred inflows	<u>(\$8,910)</u>	<u>-</u>
Balance at June 30, 2019	<u>\$ 85,527</u>	<u>\$ -</u>

OPEB expense for the year ended June 30, 2019 included the service cost of \$37,674 and interest cost on the TOL of \$22,181, offset by the recognition of \$8,910 change in deferred inflows, to equal \$50,945. OPEB expense does not include \$14,810 in employer contributions for retiree healthcare benefits. During the year ended June 30, 2018, OPEB expense was \$48,311.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense	
Fiscal Year Ending June 30:	Net Deferred Outflows/(Inflows) of Resources
2020	(\$ 8,910)
2021	(8,910)
2022	(8,910)
2023	(8,910)
2024	(8,910)
Thereafter	(40,977)

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 2018-19 fiscal year. The District retains the risk for all loss exposure in excess of insurance coverage. Claims,

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

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 periodically 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.

7. LEASE COMMITMENTS

The District leases office space and equipment with minimum lease commitments during the next five years as follows:

<u>Fiscal Year Ending June 30:</u>	
2020	\$ 17,032
2021	17,032
2022	9,193
2023	-

8. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the District paid Ramos Oil, a company partially owned by family of a board member, \$32,062 for fuel. In addition, the District paid two months rent of \$2,500 to a property management company owned by a board member. All such transactions have been reviewed and approved by the Board of Trustees.

9. DISTRICT REORGANIZATION

On November 14, 2019, the Yolo Local Agency Formation Commission adopted a resolution reorganizing Reclamation District No. 900 as a Subsidiary District to the City of West Sacramento.

By agreement dated October 21, 2019 and pending detachment and annexation of Reclamation District No. 537 territory located within the boundaries of the City of West Sacramento, certain assets of Reclamation District No. 537 will be transferred to Reclamation District No. 900. Those assets to be transferred include the following: (1) land rights and facilities, including the pumping plant; (2) land rights with regard to levees previously operated and maintained by Reclamation District No. 537, including roads, and (3) 93% of Reclamation District No. 537 funds on hand as of the reorganization date (approximately \$750,000). In addition, the detached and annexed area will remain a separate Benefit Assessment Area from the current area of Reclamation District No. 900.

REQUIRED SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT 900, CALIFORNIA
Schedule I - Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Years Ended June 30, 2019 and 2018

	2018		2018		Variance Favorable (Unfavorable)
	Final and Final Budget	Actual	Original Budget	Final Budget	
REVENUES:					
Property assessments	\$ 2,300,000	\$ 2,303,864	\$ 2,252,236	\$ 2,233,616	\$ (18,620)
Maintenance fee from WSAFCA	650,000	690,851	640,000	661,131	21,131
Grants	-	359,504	-	116,027	116,027
Interest	35,000	116,139	12,000	48,639	36,639
Reimbursements and other	1,770,198	72,367	29,200	27,358	(1,842)
Total revenues	4,755,198	3,542,725	2,933,436	3,086,771	153,335
EXPENDITURES:					
Flood Protection:					
Operations	3,446,680	699,902	1,970,066	579,905	604,925
Administration	708,518	681,577	653,914	665,079	690,647
Capital outlay and maintenance	600,000	1,088,223	500,000	138,000	131,050
Total expenditures	4,755,198	2,469,702	3,123,980	1,382,984	1,426,622
CHANGE IN FUND BALANCE	-	1,073,023	(190,544)	1,550,452	(1,544,023)
FUND BALANCE, BEGINNING OF YEAR	5,116,801	5,116,801	3,456,652	3,456,652	-
FUND BALANCE, END OF YEAR	\$ 5,116,801	\$ 6,189,824	\$ 3,266,108	\$ 5,007,104	\$ (1,544,023)

RECLAMATION DISTRICT 900, CALIFORNIA
Schedule 2 - Expenditures - Budget and Actual - General Fund
Years Ended June 30, 2019 and 2018

				2018			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATIONS:							
Power	\$ 85,000	\$ 98,068	\$ (13,068)	\$ 85,000	\$ 75,000	\$ 80,176	\$ (5,176)
Fuel	35,000	30,319	4,681	35,000	30,000	26,392	3,608
Field salaries	287,040	326,742	(39,702)	300,000	249,548	228,234	21,314
Overtime and emergency	8,000	972	7,028	8,000	413	336	77
Uniforms	5,000	4,527	473	5,000	3,500	3,575	(75)
Tools	15,000	1,901	13,099	10,000	3,000	3,014	(14)
Shop, shop repairs, and shop supplies	18,000	10,830	7,170	18,000	8,000	11,822	(3,822)
Equipment repairs	25,000	28,796	(3,796)	25,000	15,000	9,389	5,611
Equipment supplies	40,000	15,690	24,310	40,000	30,000	56,270	(26,270)
Disaster	-	-	-	-	5,444	5,444	-
Internal drainage	2,493,640	125,947	2,367,693	1,189,066	97,000	145,078	(48,078)
Levee operations and maintenance	375,000	34,461	340,539	200,000	23,000	23,677	(677)
Spray equipment and supplies	45,000	10,698	34,302	45,000	30,000	-	30,000
Trash removal	15,000	10,951	4,049	10,000	10,000	11,518	(1,518)
	<u>\$ 3,446,680</u>	<u>\$ 699,902</u>	<u>\$ 2,746,778</u>	<u>\$ 1,970,066</u>	<u>\$ 579,905</u>	<u>\$ 604,925</u>	<u>\$ (25,020)</u>
ADMINISTRATION:							
Administrative salaries and trustee fees	\$ 179,018	\$ 196,022	\$ (17,004)	\$ 175,400	\$ 171,287	\$ 183,910	(12,623)
Insurance	45,000	43,736	1,264	44,500	44,403	46,084	(1,681)
Professional services	150,000	152,442	(2,442)	165,000	160,977	165,628	(4,651)
Retirement	65,000	55,559	9,441	60,000	57,496	57,122	374
Payroll taxes	43,000	42,404	596	38,500	38,500	35,700	2,800
Hospitalization and dental (incl. retiree)	63,500	73,254	(9,754)	56,514	50,796	75,170	(24,374)
Workers' compensation	50,000	39,056	10,944	50,000	49,787	49,787	-
Rent	15,000	15,000	-	15,000	15,000	15,000	-
Assessment expense	45,000	18,281	26,719	10,000	28,536	30,159	(1,623)
Assessment collections	13,000	21,327	(8,327)	12,000	11,912	11,912	-
Office supplies and equipment	20,000	24,496	(4,496)	15,000	18,000	20,175	(2,175)
Permits and fees	20,000	-	20,000	12,000	18,385	-	18,385
	<u>\$ 708,518</u>	<u>\$ 681,577</u>	<u>\$ 26,941</u>	<u>\$ 653,914</u>	<u>\$ 665,079</u>	<u>\$ 690,647</u>	<u>\$ (25,568)</u>
CAPITAL OUTLAY AND MAINTENANCE:							
Race Track NRCS	\$ -	\$ 30,156	\$ (30,156)	\$ -	\$ -	\$ -	\$ -
Causeway NRCS	-	25,425	(25,425)	-	-	-	-
Levee Patrol Road Rehabilitation	-	648,963	(648,963)	-	-	-	-
Racetrack Emergency Pipe Rehabilitation	-	112,276	(112,276)	-	-	-	-
Major equipment	600,000	271,403	328,597	500,000	138,000	131,050	6,950
	<u>\$ 600,000</u>	<u>\$ 1,088,223</u>	<u>\$ (488,223)</u>	<u>\$ 500,000</u>	<u>\$ 138,000</u>	<u>\$ 131,050</u>	<u>\$ 6,950</u>

RECLAMATION DISTRICT NO. 900

Schedule 3 – Schedule of Changes in the Net OPEB Liability and Related Ratios
Measurement Period Ended June 30

Measurement Period	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability:		
Service cost	\$ 37,674	\$ 36,666
Interest on the total OPEB liability	22,181	11,645
Changes in assumptions ²	(94,437)	-
Benefit payments	<u>(14,810)</u>	<u>(14,240)</u>
Net change in total OPEB liability	(49,392)	34,071
Total OPEB liability - beginning	<u>329,809</u>	<u>295,738</u>
Total OPEB liability – ending (a)	<u>\$ 280,417</u>	<u>\$ 329,809</u>
Plan Fiduciary Net Position:		
Contribution - employer	-	-
Net investment income	-	-
Benefit payments	-	-
Administrative expense	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position – ending (b)	<u>-</u>	<u>-</u>
Net OPEB Liability – ending (a) –(b)	<u>\$ 280,417</u>	<u>\$ 329,809</u>
Plan fiduciary net position as a percentage of the total OPEB asset	0%	0%

² Changes in Assumptions. The discount rate was changed from 3.8 percent (net of administrative expense) to 6.5 percent for the measurement period ended June 30, 2019.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

RECLAMATION DISTRICT NO. 900

Schedule 4 – Schedule of Changes in the Net OPEB Liability and Related Ratios
Measurement Period Ended June 30

Fiscal Year Ended June 30 ³	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially Determined Contribution (ADC)	N/A	N/A
Contribution in relation to the ADC	\$ 14,810	\$ 14,640

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019 were from the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation Rate	2.75%
Payroll Growth Rate	2.75% per annum
Investment Rate of Return	6.5% per annum
Healthcare Cost Trend Rate	4% per annum
Retirement Age	2.0% @60
	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	Pre-retirement mortality probability based on 2014 CalPERS Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS

³ Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

OTHER REPORT

**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, 2019, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 significant deficiencies as described below.

Accounting for Receivables

Until fiscal 2017, the District's assessments were all billed and collected by the County. Recently, the District has also begun self-billing and collecting certain other assessments. The

billing for such receivables is not currently entered into the accounting system to enable the District to monitor collections or to ensure that revenues are recorded in the proper accounting period. In addition, other receivables, such as those revenues earned for services performed on behalf of other districts, have not been billed and collected on a timely basis.

We recommend that the District use the receivables module within the accounting software on a go-forward basis to have better internal control and oversight over revenues and receivables. In addition, delinquent receivables should be legally pursued to ensure timely collection.

Documentation of Financial Monitoring Controls

Currently, the board minutes document review and approval of cash disbursements and bank reconciliations, as well as the operating budget.

We recommend that the board (or manager) also evidence review and approval of the following on a monthly or on a periodic basis:

- *Accounts receivable and accounts payable sub-ledgers and aging, as well as any write off activity*
- *Nonstandard Journal entries*
- *Monthly financial statements*
- *Accrued vacation summaries*
- *OPEB data submission to the actuary*
- *Fixed asset ledger*
- *Reconciliation of beginning retained earnings/net position to the audit*
- *Grant reporting and reconciliation to job costing reports from BusinessWorks*

Compliance with Grant Agreements

The District is fortunate to receive a number of cost reimbursement grants in fiscal 2020. Such agreements will require grant (job) accounting to track allowable costs, as well as compliance with regulatory requirements specified in the grant.

We recommend the following to ensure proper grant accounting and compliance with such grant agreements:

- *Purchase and implementation of job costing software*
- *Documentation of compliance policies and procedures, including accountability over each compliance requirement*
- *Independent review and approval of grant reporting prior to submission*

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
Walnut Creek, California
February 19, 2020