

**RECLAMATION DISTRICT NO. 784
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

RECLAMATION DISTRICT NO. 784
FOR THE YEAR ENDED JUNE 30, 2018
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Reclamation District No. 784
Arboga, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major funds of Reclamation District No. 784 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and with the California State Controller’s Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3 through 6 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2019, 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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
March 3, 2019

RECLAMATION DISTRICT NO. 784 MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Reclamation District No. 784's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS – 2018

The District's net position includes land, infrastructure (pump stations, ditches and canals), equipment and cash operating and reserve funds. The District's net position in the government-wide financial statements decreased by \$9,234 or 0.06%. During the year, the District's revenue was \$2,297,399 and expenses were \$2,306,633.

The governmental fund activity reflected an increase in the overall fund balances of \$454,357. The District's combined governmental fund revenue was \$2,253,789 and expenditures were \$1,799,432.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Governmental Funds Balance Sheet/Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities (on pages 5 and 6) provide information about the activities of the District as a whole and present a long-term view of the District's finances and most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and the changes in it. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

Reporting the District's Funds

Governmental funds – The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can easily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operation. We describe the relationship (or differences) between governmental funds in reconciliation at the bottom of the fund financial statements. The statements have been combined for presentation purposes.

THE DISTRICT AS A WHOLE

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) on the District’s governmental activities.

**Table 1
Net Position
(in Thousands)**

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 5,758	\$ 5,412
Capital assets	<u>22,482</u>	<u>22,975</u>
Total Assets	<u>28,426</u>	<u>28,387</u>
Current liabilities	251	203
Long-term debt outstanding	1,805	1,805
Other liabilities	<u>12,959</u>	<u>12,959</u>
Total Liabilities	<u>15,015</u>	<u>14,967</u>
Net position:		
Invested in capital assets, net of debt	20,677	21,170
Unrestricted	<u>(7,266)</u>	<u>(7,707)</u>
Total Net Position	<u>\$ 13,411</u>	<u>\$ 13,463</u>

**Table 2
Changes in Net Position
(in Thousands)**

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Revenue:		
Special assessment and property taxes	\$ 804	\$ 798
Review fees/other	7	5
Interest	62	46
Impact fees	19	61
Urban Levee O&M (TRLIA)	1,179	940
Grants & miscellaneous revenues	245	139
Unrealized gains (losses)	<u>(19)</u>	<u>(18)</u>
Total Revenue	<u>2,297</u>	<u>1,971</u>
Expenses:		
Salaries and benefits	587	579
Insurance	25	28
Professional fees	303	148
Services & supplies	158	222
Levee, pumps, equipment & ditch maint.	390	303
Other	269	125
Depreciation	<u>574</u>	<u>560</u>
Total Expenses	<u>2,306</u>	<u>1,965</u>
(Decrease)Increase in Net Position	<u>\$ (9)</u>	<u>\$ 6</u>

Governmental Activities

The revenues for the District's governmental activities as described in the Statement of Activities, increased by 16.89% (\$325,638) while total expenses increased by 24.03% (\$348,660). The increase in revenue was due to an increase in TRLIA assessments and grant reimbursements.

The increased legal, engineering, environmental and archeological expenses resulted from complying with evolving regulatory agency mandates (CA Fish and Wildlife Lake and Stream Bed Alteration Permit, CEQA for Unit 5 pipe replacement plans and CAL OSHA emergency shower installation), emergency Clean Water spill response (Lateral 19 Oil Spill) and high water responses (pumping utility costs, high water engineering costs, and FEMA application costs for engineering.) Unexpected pump station control systems upgrades following failures also increased costs. LAFCO's boundary adjustment application fees and engineering and legal costs also increased expenses. These overall costs exceeded \$170,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

Income

Miscellaneous revenues & grants (aside from the TRLIA O & M assessment amounts), plan check fees, and drainage basin impact fees are one-time income items that cannot be anticipated and, therefore, not budgeted. Interest income varies with account balances which vary based on completion of development projects.

Expenditures

Relief well repair and rehabilitation expenses continue to be substantial, as work that was delayed for many years is being accomplished. Equipment maintenance and repair costs were reduced substantially over the year, as well as levee maintenance costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$22,481,882 invested in capital assets (see Table 3).

Table 3
Capital Assets at Year-End
(Net of Depreciation, in Thousands)

	<u>Government Activities</u>	
	<u>2018</u>	<u>2017</u>
Equipment	\$ 224	\$ 200
Pumping plants	10,433	10,773
Building	71	76
Detention ponds	11,754	11,926
Total	<u>\$ 22,482</u>	<u>\$ 22,975</u>

Debt

At the end of fiscal year 2017-2018, the District had liabilities of \$1,900,231 outstanding versus \$1,867,647 in 2017, an increase of 1.74%.

Table 4
Outstanding Debt at Year-End
(in Thousands)

		Governmental Activities	
		2018	2017
Accounts payable		\$ 95	\$ 63
Notes payable		1,805	1,805
	Total	<u>\$ 1,900</u>	<u>\$ 1,868</u>

MANAGEMENT ANALYSIS

Management adopted expense strategies to conserve operating funds to create reserve accounts for emergency operations including engineering, legal, permitting, repair, and emergency power bills. Savings were also earmarked for reserve accounts purchase of equipment identified in the initial TRLIA Assessment Engineering Study budgeted by accrual over time. Extensive use of 2017 Storm National Dislocated Worker Grant Program workers allowed management to utilize a fulltime workforce while minimizing taxes, insurance, regulatory and benefit costs.

Except as noted above, next year's budget categories are very similar to this year's budget. The District anticipates very little residential growth in the near term.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District office at 1594 Broadway, Arboga, California.

RECLAMATION DISTRICT NO. 784
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2018

	Governmental Funds Balance Sheet				Statement of Net Position
	General	Capital	Total	Adjustments	Total
	Fund	Fund			
ASSETS					
CURRENT ASSETS					
Cash	\$ 34,278	\$ -	\$ 34,278	\$ -	\$ 34,278
Cash in County Investment Pool	4,683,523	860,170	5,543,693	-	5,543,693
Accounts Receivable	3,031	-	3,031	-	3,031
Grant Receivable	49,638	-	49,638	43,610 a	93,248
Interest Receivable	17,250	-	17,250	-	17,250
Prepaid Insurance	66,525	-	66,525	-	66,525
Total Current Assets	4,854,245	860,170	5,714,415	43,610	5,758,025
NON-CURRENT ASSETS					
Investment in Flood Fight Coalition Assets	-	-	-	186,218 b	186,218
Capital Assets- net	-	-	-	22,481,882 b	22,481,882
Total Assets	\$ 4,854,245	\$ 860,170	\$ 5,714,415	22,711,710	28,426,125
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Personnel Costs Payable	\$ 8,842	\$ -	\$ 8,842	-	8,842
Accounts Payable	95,131	-	95,131	-	95,131
Compensated Absences	-	-	-	147,297 c	147,297
Total Current Liabilities	103,973	-	103,973	147,297	251,270
LONG-TERM LIABILITIES					
Loans Payable	-	-	-	1,805,100 d	1,805,100
Total Long-Term Liabilities	-	-	-	1,805,100	1,805,100
Total Liabilities	103,973	-	103,973	1,952,397	2,056,370
DEFERRED INFLOWS OF RESOURCES					
Reimbursements Payable	-	5,376,582	5,376,582	-	5,376,582
Deferred Development Fees	-	7,582,267	7,582,267	-	7,582,267
Total Deferred Inflows of Resources	-	12,958,849	12,958,849	-	12,958,849
FUND BALANCES					
Nonspendable	66,525	-	66,525	(66,525)	-
Unassigned	4,683,747	(12,098,679)	(7,414,932)	7,414,932	-
Total Fund Balances	4,750,272	(12,098,679)	(7,348,407)	7,348,407	-
Total Liabilities and Fund Balances	\$ 4,854,245	\$ 860,170	\$ 5,714,415		
NET POSITION					
Invested in capital assets, net of related debt and accumulated depreciation				20,676,782	20,676,782
Unrestricted				(7,265,876)	(7,265,876)
Total Net Position				\$ 13,410,906	\$ 13,410,906

a - Revenues received more than ninety days after the fiscal year end are not considered currently available resources and therefore are not reported as revenues in the governmental funds activities.

b - Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.

c - Compensated absences payable applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as a fund liability

d - Loans Payable applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as a fund liability.

RECLAMATION DISTRICT NO. 784
Statement of Revenues, Expenditures, and Changes in Net Position/Statement of Activities
For the Year Ended June 30, 2018

	General Fund			Adjustments	Statement of
	Unrestricted Fund	Capital Fund	Total		Activities Total
Revenues					
Property Taxes - Secured	\$ 609,940	\$ -	\$ 609,940	\$ -	\$ 609,940
CSA Property Taxes	117,519	-	117,519	-	117,519
Benefit Assessment-Direct	76,463	-	76,463	-	76,463
Urban Levee Operating & Maintenance	1,175,629	3,414	1,179,043	-	1,179,043
Impact Fees	-	18,848	18,848	-	18,848
Grants & Miscellaneous Revenue	202,287	-	202,287	43,610 a	245,897
Plan Check Review Fees	3,450	-	3,450	-	3,450
Rental Fees	3,525	-	3,525	-	3,525
Interest Income	54,261	7,358	61,619	-	61,619
Unrealized Gains (Losses)	(15,972)	(2,933)	(18,905)	-	(18,905)
Total Revenue	<u>2,227,102</u>	<u>26,687</u>	<u>2,253,789</u>	<u>43,610</u>	<u>2,297,399</u>
Expenditures					
Salaries, Wages, and Benefits	573,557	-	573,557	13,707 b	587,264
Engineering	151,917	-	151,917	-	151,917
Professional Fees	88,460	-	88,460	-	88,460
Insurance	25,371	-	25,371	-	25,371
Telecommunications	15,678	-	15,678	-	15,678
Utilities	86,786	-	86,786	-	86,786
Office Supplies & Costs	8,738	-	8,738	-	8,738
Supplies & Tools	20,376	-	20,376	-	20,376
Fuel & Oil	26,734	-	26,734	-	26,734
Equipment Maintenance & Repair	40,694	-	40,694	-	40,694
Pump Maintenance & Repair	124,479	-	124,479	-	124,479
Levee Maintenance & Repair	88,186	-	88,186	-	88,186
Ditch and Canals Repairs	18,148	-	18,148	-	18,148
Vehicle Maintenance & Repair	9,958	-	9,958	-	9,958
Safety Equipment & Training	9,269	-	9,269	-	9,269
Flood Fight Training & Supplies	6,127	-	6,127	-	6,127
Security	22,274	-	22,274	-	22,274
Contract Services	108,772	-	108,772	-	108,772
Meetings and Memberships	10,282	-	10,282	-	10,282
Permits & Fees	67,509	-	67,509	-	67,509
Miscellaneous	3,413	4,451	7,864	-	7,864
Oroville Dam High Water Expenses	208,055	-	208,055	-	208,055
Fixed Asset Acquisitions	80,198	-	80,198	(80,198) d	-
Depreciation Expense	-	-	-	573,692 c	573,692
Total Expenditures	<u>1,794,981</u>	<u>4,451</u>	<u>1,799,432</u>	<u>507,201</u>	<u>2,306,633</u>
Excess (Deficiency) of Revenues Over Expenditures:	432,121	22,236	454,357	(463,591)	-
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses:	432,121	22,236	454,357	(463,591)	-
Change in Net Position	-	-	-	-	(9,234)
Fund Balances/Net Position, June 30, 2017	4,318,151	(12,120,915)	(7,802,764)	21,222,904	13,420,140
Fund Balances/Net Position, June 30, 2018	<u>\$ 4,750,272</u>	<u>\$(12,098,679)</u>	<u>\$(7,348,407)</u>	<u>\$ 20,759,313</u>	<u>\$ 13,410,906</u>

a Receivables collected more than sixty days after fiscal year end are not considered currently available and, therefore, are not reported as a fund asset.

b & c Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

b) Change in Compensated Absences

c) Depreciation Expense

d Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.

See the accompanying notes to financial statements

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Reclamation District No. 784 is a special district within the County of Yuba governed by an elected, independent five member Board of Directors. Reclamation District No. 784 was established May 6, 1908, under the General Reclamation District Law.

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note. The District has implemented the financial reporting requirements of GASB Statement Nos. 33 and 34. The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resource, and net position for all state and local governments. The District has identified liabilities which should be classified as deferred inflows of resources which are presented on the Statement of Net Position.

Reporting for a component unit can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the District's operations. Blended component units are an extension of the District, so data from these units is combined with data of the District. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the District.

There are no component units of the District which meet the criteria of either the blended or discrete presentation.

The District's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities by governmental type.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted net position.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual: The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budgets and Budgetary Accounting

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 for the ensuing fiscal year.

Unused appropriations for all annually budgeted funds lapse at the end of the year.

Budgeted amounts are the final authorized amounts as revised during the year. Budgeted amounts are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Cash and Investments

For financial statement purposes "cash and cash equivalents" includes all demand, savings accounts, certificates of deposit, or short-term investments with an original maturity of three months or less.

Inventory

Inventory is expensed as purchased. The amount on hand at June 30, 2018, was not considered significant.

Accumulated Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave which will be paid to employees upon separation from District service. The amount accumulated as of June 30, 2018 was \$147,297.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

Special Assessments

In June, 1978, the District's portion of the Yuba County property taxes collected was reduced due to the passage of Proposition 13 to a level which was well below the funding needs of the District. Therefore, a resolution was passed removing the District from the tax rolls and levying a special assessment directly on the residents of the District. Collection and payment to the District of the total amount assessed is guaranteed by the County of Yuba. The collection of any delinquent assessments and any applicable interest or penalties is retained by the County of Yuba.

Capital Assets: Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Useful lives are estimated as follows:

Buildings and Land Improvements	50 years
Pump Stations	30 years
Machinery	7 years

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective for the fiscal year ended June 30, 2004. Infrastructure assets include drainage ditches and holding ponds. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for phase three governments and the District has elected not to retroactively report infrastructure. The District elected to implement the general provisions of GASB Statement No. 34 as of the year ended June 30, 2004.

Net Position

The government-wide activities fund financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted and unrestricted.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Invested in Capital Assets, Net of Related Debt – This category groups all the capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents net position with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

Nonspendable –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

Assets that will never convert to cash, such as prepaid items and inventories of supplies;

Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or

Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

Restricted –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions.

Committed –

Two criteria determine the committed fund balance:

First, use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for the District is the Board of Directors.

Second, removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints.

**RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Committed – Continued

Both commitments and modifications or removal must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

Assigned –

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the District, such as a District finance committee, or an official designated by the District (e.g., a general manager). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of the Board of Directors.	Yes	No
Formal action of the Board is necessary to impose, remove or modify this constraint and formal action has taken place before the end of the reporting period.	Yes	No

The Board of Directors can assign amounts under this category, and may also authorize the General Manager to assign amounts under this category when that decision is consistent with the approved long term financial plan.

Unassigned –

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned or restricted amounts and then unassigned or unrestricted amounts.

NOTE 2: CREDIT RISK, CARRYING AMOUNT, AND MARKET VALUE OF INVESTMENTS

Investments of the District are summarized below. The investments that are presented by specific identifiable investment securities are classified as a credit risk by three categories as follows:

Category 1: Includes investments that are insured or registered or for which securities are held by the District or its agent in the District’s name.

**RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: CREDIT RISK, CARRYING AMOUNT, AND MARKET VALUE OF INVESTMENTS – Continued

Category 2: Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name.

Category 3: Includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

Most cash at June 30, 2018 is pooled for investment purposes and held by Yuba County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County. The Yuba County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District does not own any specific identifiable investments in the pool.

The investments made by the Treasurer are regulated by Article 6 Section 27131 of the California Government Code and by the County's investment policy. Investments are monitored annually by the Treasury Oversight Committee established by the County and by the Board of Supervisors.

State law and the County's investment policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P1 by Moody's Investors Services. State law and the County's investment policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Services. Information regarding categorization of cash and investments held in the Yuba County Treasury can be found in the County of Yuba's financial statements. The carrying amount and fair value of pooled investments as of June 30, 2017 are as follows:

Pooled Investments:	Carrying Amount	Fair Value	Difference
Yuba County	\$ 5,561,847	\$ 5,543,693	\$ 18,154

The difference between the carrying value and the fair value of cash and investments was considered material to the District's financial statements; therefore, an adjustment to fair value was made for GASB No. 31 compliance. The change in fair market value from the prior year is recorded as Unrealized Gain or Loss.

Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk, as defined by FASB Statement of Financial Accounting Standards No. 105, consist principally of cash accounts. The District places its temporary cash with creditworthy, high-quality financial institutions. At June 30, 2018, the District had no funds in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced any losses in these accounts.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets of the District at June 30, 2018:

	Balances <u>June 30, 2017</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balances <u>June 30, 2018</u>
Equipment	\$ 704,974	\$ 80,198	\$ 68,950	\$ 716,222
Pumping Plants	13,468,917	-	-	13,468,917
Buildings	175,681	-	-	175,681
Detention Ponds	13,335,028	-	-	13,335,028
Total Assets at Historical or Estimated Cost	27,684,600	80,198	68,950	27,695,848
Less Accumulated Depreciation				
Equipment	(505,429)	(55,843)	68,950	(492,322)
Pumping Plants	(2,695,704)	(340,282)	-	(3,035,986)
Buildings	(99,180)	(5,119)	-	(104,299)
Detention Ponds	(1,408,911)	(172,448)	-	(1,581,359)
Total Accumulated Depreciation	(4,709,224)	(573,692)	68,950	(5,213,966)
Governmental Activities Capital Assets, Net	\$ 22,975,376	\$ (493,494)	\$ -	\$ 22,481,882

Depreciation expense for the year ended June 30, 2018 was \$573,692.

NOTE 4: CHANGES IN GENERAL LONG-TERM DEBT

At June 30, 2018, general long-term debt consisted of the following:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	Retirements	Balance <u>June 30, 2018</u>
TRLIA Pump #3	\$ 191,680	\$ -	\$ -	\$ 191,680
TRLIA Pump #6	1,583,125	-	-	1,583,125
TRLIA Pump #10 - Pipes	30,295	-	-	30,295
Total	\$ 1,805,100	\$ -	\$ -	\$ 1,805,100

Maturities of long-term debt are as follows for the year ending:

<u>June 30th,</u>	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	<u>1,805,100</u>
Total	<u>\$ 1,805,100</u>

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4: CHANGES IN GENERAL LONG-TERM DEBT - Continued

Other Debts:

- 1) On November 7, 2007 the District signed an agreement with the Three Rivers Levee Improvement Authority (TRLIA) to provide for payments in recognition of TRLIA's reconstruction of Pump Station No. 6. Payments will be made from drainage impact fees collected until the total of such payments is \$1,583,125.
- 2) On January 29, 2008 the District signed an agreement with the TRLIA to provide funds in recognition of TRLIA's construction of Pump Station No. 10 discharge pipe crossing of the Feather Setback Levee.

Payments will be made from drainage impact fees collected until the total of such payments reaches an amount equal to the final bid for the construction of the Pipe Crossing, not to exceed \$537,500.

At June 30, 2018, the District was holding \$30,295 of drainage impact fees due to TRLIA per this agreement.

- 3) On December 4, 2007 the District signed an agreement with the TRLIA to provide funds in recognition of TRLIA's relocation of Pump Station No. 3. On April 2, 2013, the District approved an amended agreement based on the State of California funding more of the cost share. Payments will be made from drainage impact fees collected until the total of such payments is \$191,680.

NOTE 5: DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The District's Board has adopted a Defined Contribution Pension Plan which provides retirement and benefits to plan members and beneficiaries. The name of the plan is "Reclamation District No. 784 Defined Contribution Plan". The plan is administered by an independent trustee, Attleberry & Searle, Inc.

The Plan's original effective date was January 1, 1997 and the Plan was restated effective May 1, 2011. The Plan year is defined as a calendar year.

Eligibility

To become a participant in the plan, an eligible employee must be employed a minimum of six (6) months, but not exceeding 24 months. If more than 12 months, 100% vesting is required. Service need not be continuous (no minimum hours of service required; mere passage of time is sufficient.)

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5: DEFINED CONTRIBUTION PENSION PLAN - Continued

Plan Contributions

The District's contribution is 10% of each participant's compensation for the plan year.

Annual Pension Cost

The District's annual pension costs were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017-2018	\$27,928
2016-2017	\$29,022
2015-2016	\$28,852
2014-2015	\$25,608
2013-2014	\$19,021
2012-2013	\$22,506

The District reserves the right to change retirement plans without prior notice.

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster.

During 2017-2018, the District contracted with Golden State Risk Management for liability, property, and crime damage. The policy limit is \$50,000,000 per occurrence for general liability. The policy covers Officers and Board of Trustees, Errors and Omissions, Auto Liability and Pollution Liability coverage. There is no aggregate limit on this coverage. Property coverage is all risk, replacement cost, and provides up to \$600,000 per covered loss, including physical damage to vehicles, mobile equipment, boiler and machinery.

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceed insurance coverage for the past seven years.

The District's group health insurance program is through Anthem Blue Shield.

Workers' compensation coverage is maintained by paying premiums to the Golden State Risk Management Authority. The premium is calculated based upon accident history and administrative costs.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: DEVELOPERS' DEPOSITS AND REIMBURSEMENTS

The District acts as a fiduciary for various developers in Reclamation District No. 784. The funds are deposited by various developers to meet their obligation under the Reclamation District No. 784 Master Drainage Plan to ensure that the drainage systems are fully funded and built.

At June 30, 2018, the District was holding the following developers' fees and funds for administration, engineering and contingencies:

	<u>Administration.</u>	Construction Improvements
<u>Developer Fees</u>	<u>Engineering & Contingencies</u>	<u>and Deferred Credits</u>
\$4,486,039	\$1,613,420	\$8,472,810

The District has been collecting developer deposits for the Master Drainage Plan since fiscal year 2003-2004. During this period of time various developers have transferred their interests in various developments to other developers. The records of which deposits have been utilized are kept by the District but the subsequent developers must rely upon the District's accounting for these deposits, as previous developers have not shared that information with them. Accordingly, subsequent developers cannot provide third-party verification of the District's accounting for deposits.

NOTE 8: CONSTRUCTION COMMITMENT

On June 27, 2018, the District entered into a contract for relief well pump testing. The contract totaled \$249,256.

NOTE 9: SUBSEQUENT EVENTS

Events subsequent to June 30, 2018 have been evaluated through March 3, 2019 the date at which the District's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT NO. 784
Statement of Revenues, Expenses, and Change in Net Position Budgeted to Actual
General Fund Unrestricted
For the Year Ended June 30, 2018

	Final Amended Budget	Actual	Variance Over (Under) Budget
Revenues			
Indirect & Direct Assessments	\$ 684,531	\$ 609,940	\$ (74,591)
CSA Property Taxes	100,000	117,519	17,519
Benefit Assessment	-	76,463	76,463
Urban Levee Operating & Maintenance	940,000	1,175,629	235,629
Rental Fees	-	3,525	3,525
Interest Income	-	54,261	54,261
Plan Check Review Fees	-	3,450	3,450
Unrealized Gains (Losses)	-	(15,972)	(15,972)
Other Income	15,000	202,287	187,287
Total Revenue	1,739,531	2,227,102	487,571
Expenditures			
Salaries and Benefits	755,751	573,557	(182,194)
Professional Fees	150,000	151,917	1,917
Engineering	70,000	88,460	18,460
Insurance	37,000	25,371	(11,629)
Telecommunications	20,000	15,678	(4,322)
Utilities	158,000	86,786	(71,214)
Office Supplies & Costs	10,175	8,738	(1,437)
Shop Supplies & Costs	9,000	20,376	11,376
Fuel & Oil	32,000	26,734	(5,266)
Equipment Maintenance & Repair	12,500	40,694	28,194
Pump Maintenance & Repair	100,000	124,479	24,479
Levee Maintenance & Repair	209,000	88,186	(120,814)
Ditch and Canal Repairs	272,500	18,148	(254,352)
Vehicle Maintenance & Repair	12,500	9,958	(2,542)
Safety Equipment & Training	17,000	9,269	(7,731)
Flood Fight Training & Supplies	5,000	6,127	1,127
Security	39,000	22,274	(16,726)
Fixed Asset Acquisition	85,000	80,198	(4,802)
Contract Services	171,000	108,772	(62,228)
Meetings and Memberships	24,500	10,282	(14,218)
Permits & Fees	78,000	67,509	(10,491)
Miscellaneous	14,000	3,413	(10,587)
Oroville Dam High Water Expenses	-	208,055	208,055
Total Expenditures	2,281,926	1,794,981	(486,945)
Change in Net Position	(542,395)	432,121	\$ 974,516
Net Position, June 30, 2017	4,318,151	4,318,151	
Net Position, June 30, 2018	\$ 3,775,756	\$ 4,750,272	

See the accompanying notes to financial statements

P.O. Box 160
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Reclamation District No. 784
Arboga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Reclamation District No. 784 (RD 784), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the RD 784's basic financial statements, and have issued our report thereon dated March 3, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RD 784's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RD 784's internal control. Accordingly, we do not express an opinion on the effectiveness of the RD 784's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RD 784'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
March 3, 2019

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

March 3, 2019

Board of Directors
Reclamation District No. 784
Arboga, California

Dear Ladies and Gentlemen,

The audit went very smoothly this year. The assistance from the outside accountant in preparing for the audit and the preparation of the financial statements was a great help to us again this year.

In planning and performing our audit of the financial statements of Reclamation District No. 784 (the District) for the year ended June 30, 2018, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We previously reported on the District's internal control in our report dated March 3, 2019. This letter does not affect that report or the report on the financial statements dated March 3, 2019. The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

We would like to thank your staff for their assistance in completing this audit. We wish you continued success in the current year.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California