

**RECLAMATION DISTRICT NO. 999
FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT AUDITOR
DECEMBER 31, 2017**

RECLAMATION DISTRICT NO. 999

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reclamation District No. 999
Clarksburg, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reclamation District No. 999 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Reclamation District No. 999'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.


Opinions

In my 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 No. 999 as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as compliance requirements, prescribed by the State Controller, governing 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 page 23 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Don Cole and Company
Sacramento, California

April 3, 2018

**RECLAMATION DISTRICT NO. 999
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

RECLAMATION DISTRICT 999, CALIFORNIA

Management's Discussion and Analysis For the year ended December 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Reclamation District 999 (RD 999), we offer readers of RD 999's financial statements this narrative overview and analysis of the financial activities of RD 999 for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements, footnotes and supplementary information.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

- At the end of the current year, the Net Position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) of RD 999 were positive \$1,845,002
- During the year, RD 999's Net Position increased by \$270,833, due to Subventions income.
- At the end of the current year, RD 999's Statement of Net Position reported total unrestricted Net Position of \$289,420.
- RD 999's net capital asset balance was \$1,555,582 at the end of the year.
- RD 999's long-term liabilities are \$351,241.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information (RSI). The Basic Financial Statements include the government-wide financial statements and fund financial statements. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide an overview of RD 999's activities as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes RD 999's assets and liabilities, with the difference representing Net Position. Over time, increases or decreases in RD 999's Net Position are an indicator of whether its financial health is improving or deteriorating.

Governmental Activities - all of RD 999's basic services which include the maintenance and operation of a flood control system and the irrigation system are considered to be governmental activities. Assessment revenue finances RD 999's flood protection and irrigation activities.

RECLAMATION DISTRICT 999, CALIFORNIA

Management's Discussion and Analysis For the year ended December 31, 2017

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about RD 999's significant funds. Governmental fund - The Governmental fund is used to account for essentially the same functions reported as Governmental activities in the government-wide Financial Statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide Financial Statement. By doing so, readers may better understand the long term impact of the government's near-term financial decisions. The Statement of Net Position and Governmental Fund Balance Sheet provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. (See Note 3 to the financial statements).

The Governmental Fund Financial Statements provide detailed information about RD 999's General Fund. The concept of major funds and the determination of which are major funds was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. For the fiscal year ending December 31, 2017, RD 999's major fund is the General Fund.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 11 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the Basic Financial Statements and accompanying notes, this report presents certain required supplementary information (RSI) concerning RD 999's budget and PERS funding status. The RSI can be found on pages 23 and 24 of this report.

RECLAMATION DISTRICT 999, CALIFORNIA

Management's Discussion and Analysis
For the year ended December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

RD 999 Net Position was \$1,845,002 at the close of the most recent fiscal year. Of this amount \$1,555,582 is invested in capital assets (net of related debt), and \$289,420 is unrestricted.

Table 1
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 609,074	\$ 388,069
Capital assets, net	<u>1,555,582</u>	<u>1,486,413</u>
Total assets	<u>\$ 2,164,656</u>	<u>\$ 1,874,482</u>
Deferred outflows of resources	<u>\$ 113,527</u>	<u>\$ (33,194)</u>
Current and other liabilities	\$ 20,796	\$ 38,366
Long-term liabilities	<u>351,241</u>	<u>200,884</u>
Total liabilities	<u>\$ 372,037</u>	<u>\$ 239,250</u>
Deferred inflows of resources	<u>\$ 61,144</u>	<u>\$ 27,869</u>
Net position:		
Invested in capital assets net of related debt	\$ 1,555,582	\$ 1,461,288
Unrestricted	<u>289,420</u>	<u>112,881</u>
Total net position	<u>\$ 1,845,002</u>	<u>\$ 1,574,169</u>

Capital Assets, Net

As part of the implementation of GASB No. 34, RD 999 chose to retroactively recognize infrastructure assets (predominately levee improvements and pumping facilities).

Unrestricted Net Position

RD 999's unrestricted net position as of December 31, 2017 totaled \$289,420.

RECLAMATION DISTRICT 999, CALIFORNIA

Management's Discussion and Analysis
For the year ended December 31, 2017

Table 2
Statement of Activities
For the Year Ended December 31, 2017

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Program revenues:		
State reimbursements	\$ 247,274	\$ -
General revenues:		
Property assessments	992,762	966,832
Other revenues	<u>28,369</u>	<u>7,153</u>
Total revenues	<u>1,268,405</u>	<u>973,985</u>
Flood protection expenses	<u>997,572</u>	<u>810,217</u>
Changes in net position	270,833	163,768
Net position – January 1	<u>1,574,169</u>	<u>1,410,401</u>
Net position – December 31	<u>\$ 1,845,002</u>	<u>\$ 1,574,169</u>

RD 999's net position increased by \$270,833 due to increase of revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the year-end, the District's governmental funds reported a fund balance of \$595,563, an increase of \$213,304 from the previous year's fund balance.

Operating revenues from RD 999's governmental fund were \$1,268,405. Assessment revenue of \$992,762 was a major source of revenue for the governmental funds. Expenditures for the governmental funds were \$1,055,101 and resulted in a balance of \$213,304.

RECLAMATION DISTRICT 999, CALIFORNIA

**Management's Discussion and Analysis
For the year ended December 31, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results for RD 999's General Fund revenues.

Table 3

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Assessments	\$ 981,411	\$ 981,411	\$ 992,762	\$ 11,351
State reimbursement	-	-	247,274	247,274
Penalty and interest	-	-	56	56
Other income	-	-	28,313	28,313
Total revenues	\$ 981,411	\$ 981,411	\$ 1,268,405	\$ 286,944

Changes from Amounts Originally Budgeted

There were no significant changes in the budget.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues recognized were \$286,944 higher than budgeted largely due to two Subventions reimbursements.

Budgetary Summary – Expenditures/Financing Uses

Following is a summary of current year budgetary changes and actual results of the District's General Fund expenditures.

Table 4

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Labor costs	\$ 385,187	\$ 385,187	\$ 368,920	\$ 16,267
Administration costs and fees	161,270	161,270	155,245	6,025
Operations and interest	3,500	3,500	2,245	1,255
Shop expenses	55,400	55,400	53,747	1,653
Repairs and maintenance – vehicles	10,250	10,250	6,904	3,346
Repairs and maintenance – general	251,200	251,200	78,286	172,914
Repairs and maintenance – pumps	18,300	18,300	10,165	8,135
Pump utilities	217,500	217,500	198,730	18,770
Capital outlay	-	-	155,545	(155,545)
Principal	25,000	25,000	25,125	(125)
Interest	-	-	189	(189)
Total expenditures	\$ 1,127,607	\$ 1,127,607	\$ 1,055,101	\$ 72,506

RECLAMATION DISTRICT 999, CALIFORNIA

Management's Discussion and Analysis For the year ended December 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2017, RD 999 has \$1,555,582 in net capital assets.

RD 999's capital assets decreased from the prior year as shown below.

Table 5
Changes in Capital Assets

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 256,864	\$ -	\$ -	\$ 256,864
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>256,864</u>	<u>-</u>	<u>-</u>	<u>256,864</u>
Capital assets, being depreciated:				
Structures and improvements	2,609,868	155,545	-	2,765,413
Equipment	1,583,463	-	-	1,583,463
Total capital assets, being depreciated	<u>4,193,331</u>	<u>155,545</u>	<u>-</u>	<u>4,348,876</u>
Less accumulated depreciation for:				
Structures and improvements	(2,071,412)	(44,755)	-	(2,116,167)
Equipment	(892,370)	(41,621)	-	(933,991)
Total accumulated depreciation	<u>(2,963,782)</u>	<u>(86,376)</u>	<u>-</u>	<u>(3,050,158)</u>
Net capital assets, being depreciated	<u>1,229,549</u>	<u>69,169</u>	<u>-</u>	<u>1,298,718</u>
Net capital assets	<u>\$ 1,486,413</u>	<u>\$ 69,169</u>	<u>\$ -</u>	<u>\$ 1,555,582</u>

Debt Administration

At December 31, 2017, RD 999 had \$15,649 of accumulated vacation leave.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of RD 999's finances and to show RD 999's accountability for the money it receives. If you have any questions about this report or need additional information, contact the RD 999 office at:

Reclamation District No. 999
38563 Netherlands Road
Clarksburg, CA 95612

**RECLAMATION DISTRICT NO. 999
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

RECLAMATION DISTRICT NO. 999

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET

DECEMBER 31, 2017

	<u>General Fund</u>	<u>Conversion to Government-wide (Note 3)</u>	<u>Government-wide Statement of Net Position</u>
ASSETS			
Petty cash	\$ 140	\$ -	\$ 140
Cash in banks	96,825	-	96,825
Cash in county treasury	114,402	-	114,405
Receivables:			
Accounts	-	-	-
Assessments	397,707	-	397,707
Capital assets	-	4,605,740	4,605,740
Accumulated depreciation	-	<u>(3,050,158)</u>	<u>(3,050,158)</u>
Total assets	<u>\$ 609,074</u>	<u>\$ 1,555,582</u>	<u>\$ 2,164,656</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension assets		<u>\$ 113,527</u>	<u>\$ 113,527</u>
Total deferred outflows of resources		<u>\$ 113,527</u>	<u>\$ 113,527</u>
LIABILITIES			
Accounts payable	\$ 13,511	\$ -	\$ 13,511
Long-term liabilities:			
Due within one year – accrued leave	-	7,285	7,285
Due after one year – accrued leave	-	8,364	8,364
Net pension liability	-	<u>342,877</u>	<u>342,877</u>
Total liabilities	<u>13,511</u>	<u>\$ 358,526</u>	<u>\$ 372,037</u>
DEFERRED INFLOWS OF RESOURCES			
Pension liability		<u>\$ 61,144</u>	<u>\$ 61,144</u>
Total deferred inflows of resources		<u>\$ 61,144</u>	<u>\$ 61,144</u>
FUND BALANCE/NET POSITION			
Fund balances:			
Assigned	-	\$ -	\$ -
Unassigned	<u>595,563</u>	<u>(595,563)</u>	<u>-</u>
Total fund balance	<u>595,563</u>	<u>\$ (595,563)</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 609,074</u>		
Net position:			
Invested in capital assets net of related debt		\$ 1,555,582	\$ 1,555,582
Unrestricted		<u>289,420</u>	<u>289,420</u>
Total net position		<u>\$ 1,845,002</u>	<u>\$ 1,845,002</u>

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT NO. 999

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

DECEMBER 31, 2017

	<u>General Fund</u>	<u>Conversion to Government-wide (Note 3)</u>	<u>Government-wide Statement of Activity</u>
EXPENDITURES/EXPENSES:			
Flood protection – operations	\$ 874,242	\$ 123,141	\$ 997,383
Capital outlay	155,545	(155,545)	-
Debt service:			
Principal	25,125	(25,125)	-
Interest	<u>189</u>	<u>-</u>	<u>189</u>
Total expenditures/expenses	<u>1,055,101</u>	<u>(57,529)</u>	<u>997,572</u>
REVENUES:			
Program revenues:			
Operating contributions	247,274	-	247,274
General revenues:			
Property assessments	992,762	-	992,762
Interest income	56	-	56
Other income	<u>28,313</u>	<u>-</u>	<u>28,313</u>
Total revenues	<u>1,268,405</u>	<u>-</u>	<u>1,268,405</u>
Excess of revenues over (under) expenditures/ Change in net position	<u>213,304</u>	<u>57,529</u>	<u>270,833</u>
FUND BALANCE/NET POSITION:			
Beginning of the year	<u>382,259</u>	<u>1,196,348</u>	<u>1,574,169</u>
End of the year	<u>\$ 595,563</u>	<u>\$ 1,040,573</u>	<u>\$ 1,845,002</u>

The accompanying notes are an integral part of these financial statements

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. ORGANIZATION

Reclamation District No. 999 (District) was created by an Act of the Legislature in the Statutes of 1913. The District is situated in Yolo and Solano Counties, with the greater portion in Yolo County. The purpose of the District is to meet the ongoing flood control, agricultural water supply, drainage and levee maintenance needs of the completed land reclamation projects for the land owners within the District.

2. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. 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.

C. FUND ACCOUNTING

The accounts of the District are organized in accordance with principles of fund accounting under standards issued by the Governmental Accounting Standards Board (GASB). Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statement (i.e. the statement of net position and the statement of activities) reports information on all of the activities of the District. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNT POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Separate financial statements are provided for the District's General Fund. The General Fund is the primary operating fund of the District and is its only major fund. The General Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

E. BUDGETS AND BUDGETARY ACCOUNTING

The 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.

These budgets were revised by the District's governing board and District manager during the year to give consideration to unanticipated expenditures. The District does not maintain an encumbrance accounting system.

F. FAIR VALUE MEASUREMENTS

The District adopted a framework for defining and measuring fair value in accordance with generally accepted accounting principles, which did not impact the District's valuation methods. The District reports assets and liabilities using level 1 inputs, where quoted prices and active markets for identical assets and liabilities are utilized to measure fair value.

G. USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

H. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and 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. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Structures and Improvements	20 – 100
Equipment	5 – 45

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNT POLICIES (continued)

I. FUND BALANCE RESERVES

Reservations of the ending fund balance represent those portions of fund equity not appropriate for expenditures or legally segregated for a specific future use. Assigned fund balances represent tentative plans for future use of financial resources.

J. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. District employees are granted vacation in varying amounts, depending upon the employees' length of service. These hours are accrued for all employees on the basis of monthly payrolls. Upon separation, employees are paid for accumulated vacation days. All vacation pay is accrued when incurred in the government-wide financial statements as accumulated vacation. The balance at December 31, 2017 was \$15,649 (See Note 8).

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

RECLAMATION DISTRICT NO. 999

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The following represents a reconciliation between the governmental fund's fund balance, and the government-wide net position:

Fund balance	\$ 595,563
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the capital assets are \$4,605,740, and the accumulated depreciation is \$3,050,158.	1,555,582
Amounts reported as deferred outflows/inflows of resources related to the District's pension plan will be allocated to future fiscal years.	
Deferred outflows	113,527
Deferred inflows	(61,144)
Long-term liabilities, including accumulated vacation and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(358,526)</u>
Net position	<u>\$ 1,845,002</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES

The following represents a reconciliation between the net change in fund balance as reported in the governmental fund statement of revenues, expenditures, and changes in fund balances and changes in net position of governmental activities as reported in the government-wide statement of activities:

Excess of revenues over (under) expenditures	\$ 213,304
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report fixed assets as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	155,545
Depreciation expense	(86,376)
Governmental funds report increases to long-term debt as revenue and decreases as expenditures. However, in the statement of net position, increases in long-term debt are reported as a liability and the decreases as a decrease in the liability.	
(Additions)/deletions to accrued leave	(1,359)
Principal payments	25,125
Pension plan contributions and changes in net pension liability.	<u>(35,406)</u>
Change in net position	<u>\$ 270,833</u>

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

4. CASH AND INVESTMENTS

Cash in County Treasury

The District maintains substantially all of its cash with the Yolo County Treasury (the County). The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. ALL investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in the time deposits, U.S. Government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand and in Banks

As of December 31, 2017, the carrying amount of the District's bank deposits and cash on hand was \$96,825 and the bank balance was \$124,886. The bank balance was fully insured by the Federal Depository Insurance Corporation or collateralized.

Derivative Investments

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

5. ASSESSMENTS RECEIVABLE

The assessments receivable represent assessments recorded against the land owners. These are deemed a priority item, and thus are fully collectible.

The District calls for an annual assessment for revenue to continue their reclamation functions based on an assessment valuation of the District. At a meeting held November 2, 2017, the Board of Trustees approved Call No.20 based on the assessed valuation No.3, list of lands within the District. An assessment was levied in the amount of \$964,218, which was \$2.58 on each \$100 of assessed valuation. The amount was due in one installment 60 days from assessment with penalty of 10% and interest of 1.5% a month accruing after 60 days. The amount remaining as a receivable at December 31, 2017 was \$397,707.

Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2017, was as follows:

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2017</u>
Capital assets, not being depreciated:				
Land	\$ 256,864	\$ -	\$ -	\$ 256,864
Total capital assets, not being depreciated	<u>256,864</u>	<u>-</u>	<u>-</u>	<u>256,864</u>
Capital assets, being depreciated:				
Structures and improvements	2,609,868	155,545	-	2,765,413
Equipment	<u>1,583,463</u>	<u>-</u>	<u>-</u>	<u>1,583,463</u>
Total capital assets, being depreciated	<u>4,193,331</u>	<u>155,545</u>	<u>-</u>	<u>4,348,876</u>
Total capital assets	4,450,195	155,545	-	4,605,740
Less accumulated depreciation for:				
Structures and improvements	(2,071,412)	(44,755)	-	(2,116,167)
Equipment	<u>(892,370)</u>	<u>(41,621)</u>	<u>-</u>	<u>(933,991)</u>
Total accumulated depreciation	<u>(2,963,782)</u>	<u>(86,376)</u>	<u>-</u>	<u>(3,050,158)</u>
Net capital assets, being depreciated	<u>1,229,549</u>	<u>69,169</u>	<u>-</u>	<u>1,298,718</u>
Net capital assets	<u>\$ 1,486,413</u>	<u>\$ 69,169</u>	<u>\$ -</u>	<u>\$ 1,555,582</u>

For the year ended December 31, 2017, depreciation expense was charged to functions as follows:

Governmental activities:

Flood protection-operations	\$ 86,376
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RECLAMATION DISTRICT NO. 999

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

7. SHORT-TERM BORROWING

The District entered into a three year line-of-credit agreement with Bank of Stockton to meet its operating expenses. Under the agreement the District may borrow up to \$550,000. All outstanding principal plus accrued interest is due on April 15, 2017. Interest is payable quarterly and varies depending upon the lender's index.

Short-term borrowing activity for the year ended December 31, 2017, was as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Line of credit	\$ -	\$ 408,000	\$ (408,000)	\$ -

8. LONG-TERM LIABILITIES

In May 2014 the District entered into leases for a Caterpillar 416E and a Caterpillar 320EL for \$85,455 and \$229,051 respectively. Each lease term is for 5 years at an interest rate of 3.2%.

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Due Within One Year
Accumulated vacation	\$ 14,290	\$ 7,285	\$ (5,926)	\$ 15,649	\$ 7,285
Capital leases	<u>25,125</u>	<u>-</u>	<u>(25,125)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 39,415</u>	<u>\$ 7,285</u>	<u>\$ (31,051)</u>	<u>\$ 15,649</u>	<u>\$ 7,285</u>

9. SUBSEQUENT EVENTS

Management of the District has evaluated the events subsequent to December 31, 2017 for disclosure and has determined that as of April 3, 2018 there are no material subsequent events that should be disclosed. If events requiring disclosure have occurred between the balance sheet date and the date the financial statements were available to be issued they would be disclosed here.

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

10. PENSION PLAN

A. GENERAL INFORMATION ABOUT THE PLAN

Plan Description: The District's defined benefit pension plan, the Miscellaneous Plan of Reclamation District No. 999, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of Reclamation District No. 999 is part of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street -Sacramento, California 95814.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. Death benefits are the pre-retirement Optional Settlement 2W Death Benefit, and the post-retirement death benefit lump sum. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

Funding Policy: The District makes contributions required as the employer. Employee members are required to make contributions of their annual covered salary in an amount depending upon date of hire. The contribution requirements of plan are established and may be amended by CalPERS. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

As of December 31, 2017, the District reported net pension liabilities for its Proportionate Share of the Net Pension Liability of the Plan in the amount of \$342,877.

The District's net pension liability for its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2017 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2016 was 0.00870%.

RECLAMATION DISTRICT NO. 999

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

10. PENSION PLAN (continued)

B. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Three-Year Trend Information for the Miscellaneous Plan of Reclamation District No. 999:

<u>Fiscal Year Ending .</u>	<u>Annual Pension Cost (APC) .</u>	<u>Percentage of APC Contributed .</u>	<u>Net Pension Obligation .</u>
12/31/2015	\$ 19,497	100%	\$ 0
12/31/2016	37,260	100%	0
12/31/2017	30,957	100%	0

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 65,296	\$ 4,979
Differences between expected and actual experience	526	7,540
Difference between projected and actual earnings on pension plan investments	14,767	-
Differences between District contributions and proportionate share of contributions	-	24,533
Change in District's proportion	7,057	24,092
Pension contributions subsequent to the measurement date	<u>25,881</u>	-
Totals	<u>\$ 113,527</u>	<u>\$ 61,144</u>

\$25,881 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to this pension plan will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	
2017	(14,919)
2018	31,883
2019	18,308
2020	(8,768)
Thereafter	-

RECLAMATION DISTRICT NO. 999

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

10. PENSION PLAN (continued)

C. ACTUARIAL ASSUMPTIONS

The total pension liability for this plan in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous Plans</u> June 30, 2014
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% ¹

¹ Net of pension plan investment expenses, including inflation

D. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

RECLAMATION DISTRICT NO. 999

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

10. PENSION PLAN (continued)

D. DISCOUNT RATE (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

E. SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Plan's Net Pension Liability/(Asset)	\$558,113	\$342,877	\$164,615

RECLAMATION DISTRICT NO. 999
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. The District participates in a joint powers authority, Association of California Water Agencies Joint Power Insurance Authority (ACWA/JPIA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA is governed by a board, consisting of a representative from each district. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the governing board. The insurance group arranges for and provides property and liability insurance for its members. The District pays a premium commensurate with the level of coverage requested. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Member districts share surpluses and deficits proportionately to their participation in the JPA.

The JPA is independently accountable for its fiscal matters. The insurance group maintains its own accounting records. Budgets are not subject to any approval other than that of the governing board.

Below is the condensed audited financial information of the JPA for the year ended September 30, 2016 (the latest available):

Total assets	<u>\$ 189,566,761</u>
Deferred outflows	<u>\$ 1,065,779</u>
Total liabilities	<u>\$ 121,474,323</u>
Deferred inflows	<u>\$ 454,600</u>
Net position	<u>\$ 68,703,617</u>
Total revenues	\$ 149,371,770
Total expenses	<u>161,601,971</u>
Net income (loss)	<u>\$ (12,230,201)</u>

The District's share of year-end assets, liabilities or fund equity has not been calculated.

REQUIRED SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT NO. 999
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. BUDGETARY INFORMATION

The following is the budget comparison schedule for the District.

	<u>Budget Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property assessments	\$ 981,411	\$ 981,411	\$ 992,762	\$ 11,351
State reimbursement	-	-	247,274	247,274
Interest income	-	-	56	56
Other income	-	-	28,313	28,313
	<u>981,411</u>	<u>981,411</u>	<u>1,268,405</u>	<u>286,994</u>
EXPENDITURES				
Labor costs	385,187	385,187	368,920	16,267
Administration costs and fees	161,270	161,270	155,245	6,025
Operations and interest	3,500	3,500	2,245	1,255
Shop expenses	55,400	55,400	53,747	1,653
Repairs and maintenance – vehicles	10,250	10,250	6,904	3,346
Repairs and maintenance – general	251,200	251,200	78,286	172,914
Repairs and maintenance – pumps	18,300	18,300	10,165	8,135
Pump utilities	217,500	217,500	198,730	18,770
Capital outlay	-	-	155,545	(155,545)
Principal	25,000	25,000	25,125	(125)
Interest	-	-	189	(189)
	<u>1,127,607</u>	<u>1,127,607</u>	<u>1,055,101</u>	<u>72,506</u>
Excess of revenues over (under) expenditures	<u>\$ (146,196)</u>	<u>\$ (146,196)</u>	<u>\$ 213,304</u>	<u>\$ 359,500</u>

RECLAMATION DISTRICT NO. 999
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

2. DEFINED PENSION PLAN

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C

	<u>6/30/2017</u>	<u>6/30/2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00870%	0.00850%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$342,877	\$194,025
Plan's Covered-Employee Payroll	\$215,624	\$198,241
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	159.02%	97.87%

Schedule of Plan Contributions

	<u>6/30/2017</u>	<u>6/30/2016</u>
Actuarially Determined Contribution	\$ 25,881	\$ 20,397
Contributions in Relation to the Actuarially Determined Contribution	(25,881)	<u>(20,397)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$215,624	\$198,241
Contributions as a Percentage of Covered-Employee Payroll	12.00%	10.29%