

**AMERICAN RIVER FLOOD CONTROL DISTRICT**

Audited Financial Statements  
and Other Reports

June 30, 2013

AMERICAN RIVER FLOOD CONTROL DISTRICT

Audited Financial Statements  
and Other Reports

June 30, 2013

Audited Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
American River Flood Control District  
Sacramento, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the American River Flood Control District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

### **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, 2013 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 accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### **Other Matters**

#### *Report on Supplemental Information*

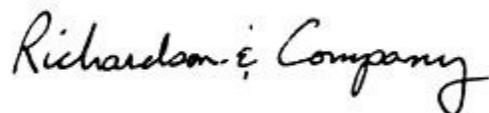
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures – budgeted and actual – is presented for purposes of additional analysis and is required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014 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 and 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.



March 14, 2014

# AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

## Management's Discussion and Analysis

As management of the American River Flood Control District (District), we are providing readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2013. 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 2012/2013

- At the end of the current year, total net position (total assets less total liabilities) of the District were a positive \$16.9 million.
- During the year, the District's net position increased by \$375,000. The increase was a result of the District's governmental activities (flood protection). The District has no business-type activities to report.
- At the end of the current year, the District's General Fund reported a total fund balance of \$9.4 million. The amount of the unassigned fund balance was \$3,426,183, and the remainder was committed by the Board or in nonspendable form.
- The District's capital asset balance before depreciation was \$11.0 million at the end of the year.
- The District has no long term debt.
- The District has recognized a liability in the amount of \$1.6 million for post-employment benefits. The liability increased approximately \$67,000 from the prior year.

### 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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities, with the difference representing net position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of the District report on one category, Governmental activities, as the District has no business-type activities.

*Governmental Activities* – All of the District's basic services, which include the maintenance and operation of a flood control system, are considered to be governmental activities and are included here. Assessment revenue, maintenance agreements, and investment earnings finance the District's flood protection activities.

# AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

## Management's Discussion and Analysis (Continued)

### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's significant funds. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to keep track of specific sources of funding and spending for particular purposes.

The District has one kind of fund:

*General Fund* – All of the District's basic services are included in the General Fund, which focuses on how resources flow in and out. The balances remaining at year-end are available for spending. The governmental fund statement provides a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we described the relationship between governmental activities and governmental funds through the reconciliations on pages 14 and 16 and in the notes to the basic financial statements.

### NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 17 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 the District's budget and actual revenue and expenditures on a budgetary basis. The RSI can be found on page 29 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. The District's net position was \$16.9 million at the close of the most recent fiscal year. Of this amount \$9.1 million is invested in capital assets. The District uses these capital assets to provide flood protection services. Consequently, these assets are not available for future spending. All remaining net position is unrestricted. (See Table 1)

AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

Management's Discussion and Analysis (Continued)

Table 1  
Statement of Net Position  
June 30, 2013 and 2012  
(in thousands)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 9,535	\$ 8,992
Capital assets	9,054	9,119
Total assets	<u>18,589</u>	<u>18,111</u>
Current liabilities	71	35
Long term Liability		
Post-employment benefits	1,608	1,541
Total liabilities	<u>1,679</u>	<u>1,576</u>
Net position:		
Net investment in capital assets	9,054	9,119
Unrestricted net position	7,856	7,416
Total net position	<u>\$ 16,910</u>	<u>\$ 16,535</u>

Capital Assets, Net of Related Debt

As part of the implementation of GASB Statement No. 34, the District chose to not retroactively recognize infrastructure assets. GASB Statement No. 34 requires prospective reporting of infrastructure and allows for retroactive application of assets not previously required to be reported. The District opted to not record infrastructure assets (predominantly levee improvements) due to the difficulty in obtaining accurate cost for the levees, many of which were constructed over 50 years ago.

During the fiscal year ended June 30, 2013, there were no major additions to capital assets from levee improvements.

There is no debt associated with any capital assets.

Restricted Net Position

The District has no restricted net position as of June 30, 2013.

Unrestricted Net Position

The District's unrestricted net position at June 30, 2013, totaled approximately \$7.9 million. This net position included \$5.9 million which have been committed by the Board for flood emergency, emergency repairs, future retiree health benefits, and future capital improvements.

AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

Management’s Discussion and Analysis (Continued)

Post Employment Benefits

The District had a second actuarial study performed during fiscal year 2011 for its post-employment benefits indicating that their plan has an unfunded accrued liability balance of \$1,443,558 at June 30, 2011. The District had the option of either recording this liability at one time, or recording it over a period not to exceed 30 years. The District has elected to recognize the transition liability at June 30, 2011. During 2013, the District paid \$27,026 against this liability, and recognized an additional \$88,000 in expense to bring the liability to its estimated carrying value at June 30, 2013 of \$1,565,788. The next actuarial study is scheduled to be performed in 2014.

Governmental Activities

The following table indicates the changes in net position for the governmental activities.

Table 2  
Statement of Activities  
Years Ended June 30, 2013 and 2012  
(In thousands)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues -		
O & M reimbursement agreements	\$ 222	\$ 277
General revenues -		
Assessments	1,997	2,076
Interest income	87	123
Miscellaneous	4	2
Total revenues	<u>2,310</u>	<u>2,478</u>
Expenses:		
Flood protection	<u>1,935</u>	<u>1,804</u>
	375	674
Changes in net position		
Net position – beginning of year	<u>16,535</u>	<u>15,861</u>
Net position – end of year	<u>\$ 16,910</u>	<u>\$ 16,535</u>

The District’s net position increased by \$375,000 during the current fiscal year. Overall revenues decreased from \$2.5 million in 2012 to \$2.3 million in 2013. Flood protection expense increased from \$1.8 million last year to \$1.9 million during 2013.

# AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

## Management's Discussion and Analysis (Continued)

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the fiscal year-end, the District's governmental funds reported a combined fund balance of \$9.4 million, an increase of \$551,798 from the previous year's fund balance. The current year-end fund balance consists of \$5.9 million in committed funds for emergencies and capital improvements as follows:

The Board has designated \$1.5 million for the Flood Emergency Reserve Fund to be used by the District to initiate a flood emergency response and \$1.5 million has been designated for the Emergency Repair Reserve Fund. These funds will be used to initiate immediate repairs to facilities damaged during a flood event so that the District will be better prepared to provide protection should another flood event follow. The Board has also designated \$1.4 million for future retiree health benefits in the Retiree Health Benefits Fund. To fund improvements on District levees, \$1.5 million has been designated for the Capital Outlay Fund. During the 2012-2013 fiscal year, the District budgeted \$50,000 for the addition of new equipment.

The remaining \$3,426,183 is unassigned and available for spending for flood protection purposes. These funds are included in the District's Operation and Maintenance Fund which is used for the annual costs associated with operating and maintaining the District's facilities, including administrative costs.

Revenues in the District's governmental fund (General Fund, which consists of the Board's four designated funds), were \$2.4 million. Assessment revenue of \$2.0 million was the major source (87%) of revenue for the governmental fund. Interest income accounted for 4% of total revenue. Expenditures from the governmental fund were \$1.8 million, which resulted in \$548,253 in net revenues over expenditures for District operations.

The net increase in fund balance was due to winter conditions which did not require the District to undertake significant flood emergency activities and less than anticipated operation and administrative costs.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Budgetary Summary – Revenues/Financing Sources

Following is a summary of the current year Budget and actual results for the District's General Fund revenues and other financing sources. (See Table 3)

AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

Management's Discussion and Analysis (Continued)

Table 3

Revenues and Other Funding Sources – General Fund  
Year Ended June 30, 2013

	Budget Amount	Actual Amount	Variance From Final Budget
Assessments	\$ 2,025,000	\$ 2,043,152	\$ 18,152
O & M reimbursement agreements	200,000	222,082	22,082
Interest income	100,000	86,580	(13,420)
Miscellaneous	-	537	537
	<u>\$ 2,325,000</u>	<u>\$ 2,352,351</u>	<u>\$ 27,351</u>

Changes from Amounts Originally Budgeted

There were no changes made to the original budget.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the District's General Fund were \$27,351 greater than budget. The variance was primarily due to higher assessment revenue and O&M reimbursements, than originally planned. Interest income was less than budget primarily because of lower yields than expected on the District's interest bearing accounts.

Budgetary Summary – Expenditures/Other Financing Uses

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

Table 4

Expenditures – General Fund  
Year Ended June 30, 2013

	Budget Amount	Actual Amount	Variance From Final Budget
Current:			
Flood protection			
Operations	\$ 1,626,450	\$ 1,280,164	\$ 346,286
Administration	548,550	426,884	121,666
Litigation	100,000	-	100,000
Capital outlay	50,000	97,050	(47,050)
	<u>\$ 2,325,000</u>	<u>\$ 1,804,098</u>	<u>\$ 520,902</u>

AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

Management's Discussion and Analysis (Continued)

Changes from Amounts Originally Budgeted

There were no changes made to the original budget.

Actual Expenditures Compared with Final Budget Amount

Actual expenditures from the District's General Fund were \$520,902 less than budgeted. Actual expenditures were lower than budgeted amounts for river bank maintenance, administration and litigation. During the current year, \$97,000 in capital assets were acquired, which exceeded the budget of \$50,000. Of this amount, \$51,000 represented a mower which was approved and budgeted for during the 2012 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District has \$9.1 million invested in capital assets including levees and equipment. As allowed by GASB Statement No. 34, land and infrastructure have not been included for acquisitions prior to the implementation of the Standard.

The District's capital assets increased from the prior fiscal year as shown in Table 5 below:

Table 5

	As of June 30, 2013	As of June 30, 2012	Increase
Levees and improvements	\$ 9,544,047	\$ 9,543,247	\$ 800
Equipment	1,479,194	1,391,385	87,809
Tenant improvements	18,281	18,281	-
	<u>\$ 11,041,522</u>	<u>\$ 10,952,913</u>	<u>\$ 88,609</u>

During the year, the District purchased a small parcel of land in Sacramento for \$800. This land is adjacent to the District's levees and was purchased to allow easier access to the levees. Also purchased during fiscal year 2013 was a mower at a cost of \$51,000, a truck for \$40,000, and capital improvements made to another vehicle for \$5,400. One mower was sold with no net carrying value, which resulted in a gain on sale of \$3,200.

The District depreciates capital assets using the straight-line method over the estimated lives of the assets. Accumulated depreciation as of June 30, 2013 is \$1,987,095.

As of June 30, 2013, the District has designated approximately \$1.5 million for future capital outlay expenditures.

Debt Administration

At June 30, 2013, the District had no long-term debt.

AMERICAN RIVER FLOOD CONTROL DISTRICT, CALIFORNIA

Management's Discussion and Analysis (Continued)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

American River Flood Control District

165 Commerce Circle, Suite D

Sacramento, CA 95815

AMERICAN RIVER FLOOD CONTROL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

<b>ASSETS</b>	
Cash and investments - Note B	\$ 9,179,647
Receivables:	
Assessments	80,838
Interest	5,327
Other	222,308
Prepaid expenses and deposits	46,543
Capital assets, net - Note C	9,054,427
<b>TOTAL ASSETS</b>	<u>18,589,090</u>
 <b>LIABILITIES</b>	
Accounts payable	71,308
Long-term liabilities	
Accrued vacation and sick leave	41,815
Accrual for post-employment benefits - Note E	1,565,788
<b>TOTAL LIABILITIES</b>	<u>1,678,911</u>
 <b>NET POSITION</b>	
Net investment in capital assets	9,054,427
Unrestricted	<u>7,855,752</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 16,910,179</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

PROGRAM EXPENSES	
Governmental activities:	
Flood protection	\$ 1,934,610
PROGRAM REVENUES	
Charges for services	<u>222,082</u>
NET (EXPENSE) REVENUE	(1,712,528)
GENERAL REVENUES	
Assessments	1,996,916
Interest income	86,580
Gain on sale of capital assets	3,545
Other	<u>537</u>
TOTAL GENERAL REVENUES	<u>2,087,578</u>
CHANGE IN NET POSITION	375,050
Net position at beginning of year	<u>16,535,129</u>
NET POSITION AT END OF YEAR	<u><u>\$ 16,910,179</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

BALANCE SHEET – GENERAL FUND

June 30, 2013

ASSETS		
Cash and cash equivalents		\$ 9,179,647
Receivables:		
Assessments		80,838
Interest		5,327
Other		222,308
Prepaid costs and deposits		<u>46,543</u>
	TOTAL ASSETS	<u>\$ 9,534,663</u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable		\$ 71,308
	TOTAL LIABILITIES	<u>71,308</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		<u>47,071</u>
	TOTAL DEFERRED INFLOWS OF RESOURCES	<u>47,071</u>
FUND BALANCES		
Nonspendable		46,543
Committed		5,943,558
Unassigned		3,426,183
	TOTAL FUND BALANCES	<u>9,416,284</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,534,663</u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE  
STATEMENT OF NET POSITION – GENERAL FUND

June 30, 2013

Fund balance - total governmental funds, June 30, 2013		\$ 9,416,284
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 11,041,522	
Less: accumulated depreciation	<u>(1,987,095)</u>	9,054,427
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(41,815)
Accrued retiree health benefits		(1,565,788)
Some revenues are unavailable in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities:		
Unavailable revenue		<u>47,071</u>
Net position - governmental activities, June 30, 2013		<u><u>\$ 16,910,179</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2013

REVENUES		
Assessments	\$	2,043,152
O & M reimbursements		222,082
Use of money		86,580
Other revenues		537
	TOTAL REVENUES	<u>2,352,351</u>
EXPENDITURES		
Current:		
Flood protection		
Operations	1,280,164	
Administration	426,884	
Capital outlay		97,050
	TOTAL EXPENDITURES	<u>1,804,098</u>
	EXCESS OF REVENUES OVER EXPENDITURES	548,253
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets		3,545
	OTHER FINANCING SOURCES	<u>3,545</u>
	NET CHANGE IN FUND BALANCE	551,798
Fund balance at beginning of year		<u>8,864,486</u>
	FUND BALANCE AT END OF YEAR	<u><u>\$ 9,416,284</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES –  
GENERAL FUND

For the Year Ended June 30, 2013

Net change in fund balance - total governmental funds for the year ended June 30, 2013	\$ 551,798
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 97,050	
Depreciation expense	<u>(161,130)</u>	(64,080)

Revenues and expenses in the Government-wide Statement of Activities that do not provide current financial resources are not reported as revenues and expenses in the governmental funds.

Change in accrued retiree health benefits	(60,521)
Change in assessments receivable	(46,236)
Change in compensated absences	<u>(5,911)</u>

Change in net position - governmental activities for the year ended June 30, 2013	<u><u>\$ 375,050</u></u>
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The accompanying notes are an integral part of these financial statements.

# AMERICAN RIVER FLOOD CONTROL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the American River Flood Control District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Background: The District was formed under an Act of the Legislature of the State of California in 1927. The District is governed under a Board of Trustees and operates and maintains levees in Sacramento County.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

Governmental fund 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues other than reimbursement revenues to be available if they are collected within 60 days of the end of the current fiscal period. For reimbursement revenues, amounts collected within 180 days of the end of the current fiscal period are considered available. Amounts not received within the 60 or 180 day availability period are reported as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Payable balances consist primarily of payables to vendors.

AMERICAN RIVER FLOOD CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax assessment revenues, reimbursement revenues and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund type:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The Fund is charged with all costs of operations.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District’s policies and procedures. Budgetary control is exercised by major object. Budgetary changes, if any, during the fiscal year require the approval of the District’s Board of Trustees. Unencumbered budget appropriations lapse at the end of the fiscal year.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs and deposits are reported in the fund financial statements as nonspendable fund balance to indicate they do not constitute resources available for appropriation.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the time received. Capital assets are depreciated using the straight-line method over the estimated useful lives.

Levees and improvement	100 years
Construction equipment and mowers	7-10 years
Vehicles	7 years
Shop and levee maintenance equipment	7-10 years
Office equipment and furniture	5-10 years
Computers and accessories	5 years
Tenant improvements	5-10 years

The District’s capitalization threshold is \$1,000 with no minimum for infrastructure assets and other real property. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: The District's policies regarding vacation and sick leave permit employees to accumulate earned, but unused vacation and sick leave. The District's policy for sick-pay states that upon retirement, an employee may be paid one-third (up to a maximum of 400 hours) of their accumulated unused sick leave balance. The remaining balance of the employees' sick leave is then available for service credit under the District's pension plan. Alternatively, the employees may elect to use their entire balance of accumulated unused sick leave for service credit under the District's pension plan. All vacation and an estimate of the probable sick leave pay-out is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to liquidate compensated absences. All of the accrued vacation and sick leave is considered long-term.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted net position.

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

Fund Equity: In the General Fund financial statements, the District reports the following fund balances:

Non-spendable fund balances are not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid costs and deposits.

Committed fund balances include amounts that can be used only for specific purposes determined by a formal action of the Board. The Board has authority to establish, modify, or rescind a fund balance commitment through a resolution of the Board.

Unassigned fund balance is the residual classification for the District's funds and includes all spendable amounts not contained in the other classifications.

The District's committed or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Committed fund balances consist of the following:

Capital Outlay Projects Fund – To accumulate funds for future capital projects. Such projects represent capital improvement projects to repair damaged levees, improve the reliability of the system and/or increase the District's ability to monitor the system and respond in a flood emergency. As of June 30, 2013, \$1,500,000 has been designated by the Board.

AMERICAN RIVER FLOOD CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Emergency Repair Fund – Funds designated for necessary repairs due to substantial damage from high flows. As of June 30, 2013, \$1,500,000 has been designated by the Board.

Emergency Flood Fight Fund – Funds designated to fight flood emergencies and to help prevent the need for future special assessments. As of June 30, 2013, \$1,500,000 has been designated by the Board.

Retiree Health Benefits Fund – Funds designated to fund future retiree health benefit costs. As of June 30, 2013, \$1,443,558 has been designated by the Board.

Assessments: The District made assessments against properties within the District in accordance with requirements of State law and the American River Flood Control District Act. Assessments are processed through Sacramento County based on the parcel size and designated land use of the parcels. Assessments are payable with the property owner's property taxes. The assessments are typically levied on or before the first day of September each year and become a lien on real property upon levy. Assessments are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. The District recognizes assessments when the individual installments are due provided they are collected within 60 days after year end.

The County uses the Alternative Method of Property Tax Apportionment (Teeter). Under this method of property tax apportionment for assessments collected as part of property taxes, the County purchases the delinquent secured property taxes at June 30 of each fiscal year and guarantees the District 100% of its annual assessment.

Use of Estimates: The preparation of the 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 estimates.

New Pronouncements

Effective July 1, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets.

Effective July 1, 2012, the District implemented GASB Statement No. 65, *Items Previously Reporting as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the District to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the PERS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for the financial statements as of June 30, 2015. The District is currently evaluating the effect of this new pronouncement.

NOTE B – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following at June 30, 2013:

Cash on hand	\$	23
Deposits with financial institutions		608,218
	Total cash	<u>608,241</u>
City of Sacramento Pool A		6,056,947
Local Agency Investment Fund (LAIF)		2,514,459
	Total investment	<u>8,571,406</u>
	Total cash and investments	<u>\$ 9,179,647</u>

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2013, the District's permissible investments included the following instruments:

AMERICAN RIVER FLOOD CONTROL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local agency bonds	5 years	None	None
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates and time deposits	5 years	30%	None
Repurchase agreements	92 days	20%	None
Medium term corporate notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Pooled investment funds	N/A	None	None

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the City of Sacramento's Investment Pool: The District maintains a portion of its cash in the City of Sacramento's cash and investment pool which is managed by the City Treasurer. The District's cash balances invested in the City Treasurer's cash and investment pool are stated at fair value. The amount invested by all public agencies in the City's cash and investment pool is \$991,330,054 at June 30, 2013. The City does not invest in any derivative financial products directly. However, they do invest in Local Agency Investment Fund (LAIF), which does invest in derivative financial products. The City Council has oversight responsibility for the cash and investment pool. The value of pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasurer through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$58,852,094,221, managed by the State Treasurer. Of that amount, 1.88% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

AMERICAN RIVER FLOOD CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B – CASH AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2013, the weighted average maturity of the investments contained in the City's investment pool was approximately 2.01 years. As of June 30, 2013, the weighted average maturity of the investment in LAIF was approximately 278 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The City's investment pool and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2013, the carrying amount and the balances in financial institutions of the District's deposits was \$608,218 and \$626,075, respectively. The District has an agreement with its bank to collateralize its deposits with mortgage backed and municipal securities with a market value of \$2,379,626 held in the name of the District.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Capital assets being depreciated:				
Levees and improvements	\$ 9,543,247	\$ 800		\$ 9,544,047
Levee maintenance equipment	1,033,983	50,930	\$ (8,441)	1,076,472
Vehicles	319,910	45,320		365,230
Office equipment	37,492			37,492
Tenant improvements	18,281			18,281
Total capital assets, being depreciated	10,952,913	97,050	(8,441)	11,041,522
Less accumulated depreciation for:				
Levees and improvements	(765,762)	(95,553)		(861,315)
Levee maintenance equipment	(709,360)	(54,807)	8,441	(755,726)
Vehicles	(312,454)	(7,587)		(320,041)
Office equipment	(35,023)	(1,039)		(36,062)
Tenant improvements	(11,807)	(2,144)		(13,951)
Total accumulated depreciation	(1,834,406)	(161,130)	8,441	(1,987,095)
Capital assets, net	\$ 9,118,507	\$ (64,080)	\$ -	\$ 9,054,427

Depreciation expense of \$161,130 for the year ended June 30, 2013 was charged to the flood protection function.

NOTE D – DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. PERS requires employers with less than 100 active members in the plan to participate in the risk pool. All full and part-time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months full-time equivalent monthly pay. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through District resolution. PERS issues a separate comprehensive annual financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street - Sacramento, California 95814.

AMERICAN RIVER FLOOD CONTROL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE D – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy: Active plan members are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. Contributions made by the District on behalf of the employees totaled \$46,160 for the year ended June 30, 2013. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for the fiscal years ended June 30, 2013 and 2012 were 10.238% and 10.059%, respectively. The contribution requirements of the plan members and the District are established and may be amended by PERS. The District’s contributions for the years ended June 30, 2013, 2012 and 2011 were \$69,082, \$63,975 and \$54,810, respectively, which were equal to the required contributions for each year.

NOTE E – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements. The District’s contribution is 100% of the medical premium, which currently ranges from \$339 to \$2,028. The benefit continues to surviving spouses and dependents.

Funding Policy: The contribution requirements of the District’s participants and the District are established by and may be amended by the District pursuant to agreements with its employees. Contributions to the OPEB plan in fiscal 2012/2013 totaled \$27,026.

Annual OPEB Cost and Net OPEB Obligation: The District’s annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year.

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s Net OPEB obligation for the year ended June 30, 2013:

Annual required contribution	\$ 87,547
Adjustment to annual required contribution	
Annual OPEB cost (expense)	87,547
Contributions made (premium payments made)	(27,026)
Increase in net OPEB obligation	60,521
Net OPEB obligation, beginning of year	1,505,267
Net OPEB obligation, end of year	\$ 1,565,788

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE E – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 87,547	30.87%	\$ 1,565,788
6/30/2012	87,547	29.51%	1,505,267
6/30/2011	244,649	9.98%	1,443,558

Funded Status and Funding Progress: The funded status of the Plan as of June 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 1,565,788
Actuarial value of Plan assets	-
Underfunded actuarial accrued liability (UAAL)	1,565,788
Funded ratio (actuarial value of Plan assets/AAL)	0.00%
Covered payroll (active Plan participants)	688,248
UAAL as a percentage of covered payroll	227.50%

Although the District has not established a trust for funding the OPEB Plan, it has set aside cash in a separate bank account to provide for these benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

For the September 2010 actuarial valuation, the entry age normal actuarial cost level of pay method was used. The actuarial assumptions included a 5% investment rate of return, a 3% salary increase and a 3% general inflation rate. Premiums were assumed to increase 4% per year.

AMERICAN RIVER FLOOD CONTROL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE E – OTHER POST-EMPLOYMENT BENEFITS (Continued)

**Required Supplementary Information  
 Other Postemployment Benefits  
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/1/2010	-	\$ 1,443,558	\$ 1,443,558	0%	\$ 626,063	230.58%
10/17/2007	-	1,223,336	1,223,336	0%	576,718	212.12%

NOTE F – INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public official liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and auto liability (includes public officials liability)	\$ 2,000,000	\$ 58,000,000	None
Property damage	100,000	100,000,000	\$500 to 1,000
Fidelity	100,000	NA	1,000
Workers compensation liability	2,000,000	Statutory	None

NOTE G – COMMITMENTS

The District has entered into a lease for its premises at a base rent of \$9,450 per month, plus a percentage of the common area maintenance costs. The District extended its lease in May 2011 and is obligated to its lease through May 2014. Total rent and common area maintenance expense for the fiscal year ended June 30, 2013 was \$138,768. Future minimum lease payments, including estimated common area maintenance expenses, are \$128,952 for the year ended June 30, 2014.

AMERICAN RIVER FLOOD CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE H – CONTINGENCIES

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend assessments and fees. Any new or increased assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District's ability to finance the services for which the property assessments were imposed may be significantly impaired. However, the District may also have the ability to assess certain government owned properties which were previously rendered exempt. The effect Proposition 218 will have on the District's ability to maintain or increase the revenue it receives from assessments and fees in the future is unknown.

NOTE I – SUBSEQUENT EVENTS

On February 28, 2014, the District entered into an agreement for the purchase of a \$925,000 building for use as its premises.

REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

AMERICAN RIVER FLOOD CONTROL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Assessments	\$ 2,025,000	\$ 2,025,000	\$ 2,043,152	\$ 18,152
O & M reimbursements	200,000	200,000	222,082	22,082
Use of money	100,000	100,000	86,580	(13,420)
Other revenues			537	537
<b>TOTAL REVENUES</b>	<b>2,325,000</b>	<b>2,325,000</b>	<b>2,352,351</b>	<b>27,351</b>
<b>EXPENDITURES</b>				
Current:				
Flood protection				
Operations	1,626,450	1,626,450	1,280,164	346,286
Administration	648,550	648,550	426,884	221,666
Capital outlay	50,000	50,000	97,050	(47,050)
<b>TOTAL EXPENDITURES</b>	<b>2,325,000</b>	<b>2,325,000</b>	<b>1,804,098</b>	<b>520,902</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			<b>548,253</b>	<b>548,253</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets			3,545	3,545
<b>TOTAL OTHER FINANCING SOURCES</b>			<b>3,545</b>	<b>3,545</b>
<b>NET CHANGE IN FUND BALANCES</b>			<b>551,798</b>	<b>551,798</b>
Fund balance at beginning of year	8,864,486	8,864,486	8,864,486	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 8,864,486</b>	<b>\$ 8,864,486</b>	<b>\$ 9,416,284</b>	<b>\$ 551,798</b>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL -  
GENERAL FUND

For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Maintenance and Operations:			
Salaries	\$ 705,000	\$ 690,061	\$ 14,939
Payroll taxes	54,500	53,098	1,402
Pension	112,800	118,706	(5,906)
Workers compensation insurance	50,760	14,530	36,230
Group insurance	181,890	175,828	6,062
Fuel and oil	33,000	35,673	(2,673)
Equipment rental	10,000	1,060	8,940
Equipment repairs	25,000	43,520	(18,520)
Small tools and equipment	3,000	185	2,815
Shop supplies	10,000	6,879	3,121
Levee maintenance supplies	35,000	14,883	20,117
Levee maintenance chemicals	20,000	11,481	8,519
Levee maintenance services	30,000	9,252	20,748
Rodent abatement	20,000	6,035	13,965
Staff training	5,000	2,702	2,298
Employee uniforms	7,000	4,833	2,167
Emergency preparedness	20,000	2,244	17,756
Miscellaneous	2,000	1,289	711
Encroachment remediation	10,000		10,000
Engineering services	16,500	6,110	10,390
Environmental services	20,000		20,000
Survey services	10,000		10,000
Equipment purchases less than \$1,000	5,000		5,000
Levee Standards Compliance	150,000	34,889	115,111
	<u>1,536,450</u>	<u>1,233,258</u>	<u>303,192</u>

AMERICAN RIVER FLOOD CONTROL DISTRICT

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL - (Continued)  
GENERAL FUND

For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Administration:			
Utilities	\$ 16,000	\$ 13,582	\$ 2,418
Telephone	10,000	7,464	2,536
Retiree benefits	30,000	27,026	2,974
Office and shop lease	155,000	138,768	16,232
Office equipment and furniture	3,000	526	2,474
Office supplies	3,000	1,135	1,865
Auto allowance	6,600	7,108	(508)
Technology and software	5,300	3,273	2,027
Trustee fees	7,000	7,071	(71)
Trustee expenses	2,000	2,109	(109)
Accounting services	15,000	11,340	3,660
Legal services (general)	40,000	55,501	(15,501)
Flood litigation	100,000		100,000
Legislative	2,000		2,000
Dues and association expenses	25,000	18,603	6,397
Insurance premiums	32,000	27,974	4,026
Conferences and workshops	1,500	300	1,200
Public relations and information	40,000	25,026	14,974
Election expense	70,000	1,660	68,340
Investment services	8,500	11,063	(2,563)
Parking reimbursement	150	88	62
General office	9,000	8,392	608
Bookkeeping services	10,000	8,625	1,375
County assessment fees	40,000	43,527	(3,527)
Community services	2,000	1,443	557
Bank service charge		145	(145)
Miscellaneous	5,500	2,007	3,493
	<u>638,550</u>	<u>423,756</u>	<u>214,794</u>
Capital outlay:			
Not-capitalized			
Vegetation management	10,000		10,000
Small capital projects	50,000	46,906	3,094
Engineering studies and survey studies	25,000		25,000
Encroachment remediation	5,000		5,000
Property acquisition investigation	10,000	3,128	6,872
	<u>100,000</u>	<u>50,034</u>	<u>49,966</u>
Capitalized			
Equipment	50,000	96,250	(46,250)
Levee and improvements		800	(800)
	<u>50,000</u>	<u>97,050</u>	<u>(47,050)</u>
Total expenditures	<u>\$ 2,325,000</u>	<u>\$ 1,804,098</u>	<u>\$ 520,902</u>

## OTHER REPORTS

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 Trustees  
American River Flood Control District  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the American River Flood Control District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2014.

**Internal Control Over Financial Reporting**

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

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 District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

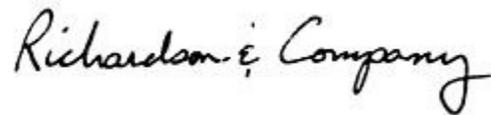
To the Board of Trustees  
American River Flood Control District

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Richardson & Company".

March 14, 2014