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AMERICAN RIVER FLOOD CONTROL DISTRICT

Audited Financial Statements
and Other Reports

June 30, 2017

AMERICAN RIVER FLOOD CONTROL DISTRICT

Audited Financial Statements
and Other Reports

June 30, 2017

Audited Financial Statements

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis..... 3

Government-wide Financial Statements:

Statement of Net Position 11
Statement of Activities..... 12

Fund Financial Statements:

Balance Sheet – General Fund..... 13
Reconciliation of the Balance Sheet to the Government-wide
Statement of Net Position – General Fund..... 14
Statement of Revenues, Expenditures, and Changes in Fund Balance
– General Fund..... 15
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Government-wide Statement of
Activities – General Fund 16
Notes to Basic Financial Statements..... 17

Required Supplementary Information:

Schedule of the Proportionate Share of the Net Pension Liability –
Miscellaneous Plan 33
Schedule of Contributions to the Pension Plan – Miscellaneous Plan..... 33
Other Postemployment Benefits Schedule of Funding Progress 34
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund..... 35

Other Supplementary Information:

Schedule of Expenditures – Budget and Actual – General Fund..... 36

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..... 38



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2017, 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, 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 accounting systems prescribed by the State Controller's Office and state regulations 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, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, other postemployment benefits schedule of funding progress, and budgetary comparison information on pages 3 to 10 and 32 to 34 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 not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 _____, 2018 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.

_____, 2018

AMERICAN RIVER FLOOD CONTROL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

ASSETS	
Cash and investments - Note B	\$ 8,901,327
Receivables:	
Assessments	72,685
Interest	1,751
Due from other agencies	347,043
Other	4,065
Prepaid expenses and deposits	43,457
Capital assets, net - Note C	10,820,221
TOTAL ASSETS	<u>20,190,549</u>
DEFERRED OUTFLOW OF RESOURCES	
Pensions	<u>247,818</u>
LIABILITIES	
Accounts payable	52,126
Accrued payroll expense	952
Current portion of capital lease	1,775
Long-term liabilities	
Accrued vacation and sick leave	31,949
Capital lease	7,823
Net pension liability - Note E	860,019
Accrual for post-employment benefits - Note F	2,363,145
TOTAL LIABILITIES	<u>3,317,789</u>
DEFERRED INFLOW OF RESOURCES	
Pensions	<u>91,102</u>
NET POSITION	
Net investment in capital assets	10,810,623
Unrestricted	<u>6,218,853</u>
TOTAL NET POSITION	<u><u>\$ 17,029,476</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, 2017

PROGRAM EXPENSES	
Governmental activities:	
Flood protection	\$ 2,276,715
PROGRAM REVENUES	
Charges for services	<u>245,528</u>
NET PROGRAM (EXPENSE) REVENUE	(2,031,187)
GENERAL REVENUES	
Assessments	2,043,348
Interest income	107,768
Gain on sale of capital assets	4,608
Other	<u>501</u>
TOTAL GENERAL REVENUES	<u>2,156,225</u>
CHANGE IN NET POSITION	125,038
Net position at beginning of year	<u>16,904,438</u>
NET POSITION AT END OF YEAR	<u><u>\$ 17,029,476</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

BALANCE SHEET – GENERAL FUND

June 30, 2017

ASSETS		
Cash and cash equivalents		\$ 8,901,327
Receivables:		
Assessments		72,685
Interest		1,751
Due from other agencies		347,043
Other		4,065
Prepaid costs and deposits		<u>43,457</u>
	TOTAL ASSETS	<u><u>\$ 9,370,328</u></u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable		\$ 52,126
Accrued payroll expense		<u>952</u>
	TOTAL LIABILITIES	<u>53,078</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		<u>379,302</u>
FUND BALANCES		
Nonspendable		43,457
Committed		6,000,000
Unassigned		<u>2,894,491</u>
	TOTAL FUND BALANCES	<u>8,937,948</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 9,370,328</u></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, 2017

Fund balance - total governmental funds, June 30, 2017		\$ 8,937,948
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	\$ 13,364,640	
Less: accumulated depreciation	<u>(2,544,419)</u>	10,820,221
Pension differences will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.		
		247,818
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued vacation and sick leave		(31,949)
Capital lease		(9,598)
Net pension liability		(860,019)
Accrual for post-employment benefits		(2,363,145)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.		
		(91,102)
Some revenues are not recognized in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities:		
Unavailable revenue		<u>379,302</u>
Net position - governmental activities, June 30, 2017		<u><u>\$ 17,029,476</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, 2017

REVENUES		
Assessments	\$	2,041,097
O & M reimbursements		226,841
Use of money		107,768
Other revenues		501
TOTAL REVENUES		<u>2,376,207</u>
EXPENDITURES		
Current:		
Flood protection		
Maintenance and operations	1,416,779	
Administration	422,930	
Debt service		
Principal	144	
Interest payments	39	
Capital outlay		120,935
TOTAL EXPENDITURES		<u>1,960,827</u>
EXCESS OF REVENUES OVER EXPENDITURES		415,380
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	4,608	
Issuance of capital lease	9,742	
OTHER FINANCING SOURCES		<u>14,350</u>
NET CHANGE IN FUND BALANCE		429,730
Fund balance at beginning of year		<u>8,508,218</u>
FUND BALANCE AT END OF YEAR	\$	<u><u>8,937,948</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, 2017

Net change in fund balance - total governmental funds for the year
ended June 30, 2017 \$ 429,730

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	\$ 120,935	
Depreciation expense	<u>(266,246)</u>	(145,311)

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 accrual for post-employment benefits	(134,244)
Change in unavailable revenue	20,938
Change in accrued vacation and sick leave	4,379
Issuance of capital lease	(9,742)
Principal payments on capital lease	144
Change in deferred outflows of resources related to employee pensions	159,981
Change in employee net pension obligation	(237,500)
Change in deferred inflows of resources related to employee pensions	<u>36,663</u>

Change in net position - governmental activities for the year ended June 30, 2017 \$ 125,038

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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 position 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 deferred inflows 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, 2017

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:

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
Building improvements	10 years
Buildings	30 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.

Accrued Vacation and Sick Leave: 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

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

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017, \$1,500,000 has been designated by the Board.

Emergency Repair Fund – Funds designated for necessary repairs due to substantial damage from high flows. As of June 30, 2017, \$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, 2017, \$1,500,000 has been designated by the Board.

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

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retiree Health Benefits Fund – Funds designated to fund future retiree health benefit costs. As of June 30, 2017, \$1,500,000 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.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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: In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, replacing the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning the year ended June 30, 2018.

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

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies certain accounting and reporting issues related to pension plans, including the presentation of payroll related measures in required supplementary information, clarifies the use of the term deviation for the selection of assumptions, and clarifies the classification of employer-paid member contributions and the period in which they should be recognized. This Statement is effective in the first reporting period in which the measurement date of the employer’s pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO’s), which is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The timing and pattern of recognition of the liability and corresponding deferred outflow of resources recorded is defined in this Statement. This Statement is effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurements and application, pensions and other postemployment benefits. This Statement is effective for periods beginning after June 15, 2017.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following at June 30, 2017:

Cash on hand	\$	53
Deposits with financial institutions		873,597
	Total cash	<u>873,650</u>
City of Sacramento Pool A		7,267,268
Local Agency Investment Fund (LAIF)		760,409
	Total investment	<u>8,027,677</u>
	Total cash and investments	<u><u>\$ 8,901,327</u></u>

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2017, the District's permissible investments included the following instruments:

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 \$1,053,914,451 at June 30, 2017. 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 \$77,616,683,602, managed by the State Treasurer. Of that amount, 2.25% 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

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B – CASH AND INVESTMENTS (Continued)

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.

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, 2017, the weighted average maturity of the investments contained in the City's investment pool was approximately 2.11 years. As of June 30, 2017, the weighted average maturity of the investment in LAIF was approximately 194 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, 2017, the carrying amount and the balances in financial institutions of the District's deposits were both \$873,597. Of the balance in financial institutions, \$250,000 is covered by federal depository insurance and amounts in excess of this balance are covered by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

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

June 30, 2017

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 321,463	\$ -	\$ -	\$ 321,463
Capital assets being depreciated:				
Levees and improvements	9,544,047	-	-	9,544,047
Building	1,763,304	-	-	1,763,304
Levee maintenance equipment	1,279,871	1,034	(8,097)	1,272,808
Vehicles	335,103	105,096	(51,733)	388,466
Office equipment	54,911	9,742	-	64,653
Building improvements	4,836	5,063	-	9,899
Total capital assets, being depreciated	<u>12,982,072</u>	<u>120,935</u>	<u>(59,830)</u>	<u>13,043,177</u>
Less accumulated depreciation for:				
Levees and improvements	(1,147,986)	(95,502)	-	(1,243,488)
Building	(34,286)	(58,777)	-	(93,063)
Levee maintenance equipment	(857,117)	(82,705)	8,097	(931,725)
Vehicles	(276,835)	(24,388)	51,733	(249,490)
Office equipment	(16,943)	(4,663)	-	(21,606)
Building improvements	(4,836)	(211)	-	(5,047)
Total accumulated depreciation	<u>(2,338,003)</u>	<u>(266,246)</u>	<u>59,830</u>	<u>(2,544,419)</u>
Total capital assets, being depreciated, net	<u>10,644,069</u>	<u>(145,311)</u>	<u>-</u>	<u>10,498,758</u>
Capital assets, net	<u>\$ 10,965,532</u>	<u>\$ (145,311)</u>	<u>\$ -</u>	<u>\$ 10,820,221</u>

Depreciation expense of \$266,246 for the year ended June 30, 2017 was charged to the flood protection function.

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

June 30, 2017

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Accrued vacation and sick leave	\$ 36,328	\$ -	\$ (4,379)	\$ 31,949	\$ -
Capital lease obligation	-	9,742	(144)	9,598	1,775
Net pension liability	622,519	237,500	-	860,019	-
Accrual for post-employment benefits	2,228,901	245,107	(110,863)	2,363,145	-
	<u>\$ 2,887,748</u>	<u>\$ 492,349</u>	<u>\$ (115,386)</u>	<u>\$ 3,264,711</u>	<u>\$ 1,775</u>

The District’s capital lease consists of the following:

Copier Lease: In May 2017, the District entered into a capital lease for the acquisition of a copier. The lease has an interest rate of 4.77%, with monthly payments of \$183 through May 2022. The cost of the copier is \$9,742 and accumulated depreciation is \$162 at June 30, 2017.

Annual debt service requirement of the District’s long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,775	\$ 419	\$ 2,194
2019	1,861	333	2,194
2020	1,951	243	2,194
2021	2,047	147	2,194
2022	1,964	47	2,011
	<u>\$ 9,598</u>	<u>\$ 1,189</u>	<u>\$ 10,787</u>

NOTE E – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The District has the following cost-sharing Plans:

- Miscellaneous Plan
- PEPRM Miscellaneous Plan (inactive)

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

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

June 30, 2017

NOTE E – PENSION PLANS (Continued)

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 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	PEPRA	
	Miscellaneous Prior to January 1, 2013	Miscellaneous On or after January 1, 2013
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.880%	6.55%

In addition to the contribution rates above, the District was also required to make payments of \$30,277 toward its unfunded actuarial liability during the year ended June 30, 2017.

The Miscellaneous Plan is closed to new members that are not already CalPERS participants.

Contributions: 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.

For the year ended June 30, 2017, the contributions made to the Plan were \$80,014.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan of \$860,019.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The District’s

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – PENSION PLANS (Continued)

proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.02269%
Proportion - June 30, 2016	0.02476%
Change - Increase (Decrease)	0.00207%

For the year ended June 30, 2017, the District recognized pension expense of \$78,680. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 80,014	\$ -
Differences between actual and expected experience	2,961	(679)
Changes in assumptions	-	(28,012)
Change in employer's proportion	19,049	(35,485)
Differences between the employer's contribution and the employer's proportionate share of contributions	-	(26,926)
Net differences between projected and actual earnings on plan investments	<u>145,794</u>	<u>-</u>
Total	<u>\$ 247,818</u>	<u>\$ (91,102)</u>

The \$80,014 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 June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	
2017	\$ (16,808)
2018	(7,720)
2019	63,467
2020	37,763
Thereafter	<u>-</u>
	<u>\$ 76,702</u>

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

June 30, 2017

NOTE E – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2015 actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	Developed using CalPERS Membership Data for all funds

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in June 30, 2017 were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65%. 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

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.

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

June 30, 2017

NOTE E – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan. 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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

- (a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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, calculated using the discount rate, 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>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 1,408,761
Current Discount Rate	7.65%
Net Pension Liability	\$ 860,019
1% Increase	8.65%
Net Pension Liability	\$ 406,511

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan: At June 30, 2017, the District reported a payable of \$952 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE F – 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 \$551 to \$2,568. 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 2016/2017 totaled \$110,863, which represents premium payments made on retirees. The District has set aside a cash designation of \$1,500,000 for retiree health benefits; however, the cash is not maintained in a trust.

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, 2017:

Annual required contribution	\$ 215,133
Interest on net OPEB obligation	109,606
Adjustment to annual required contribution	<u>(79,632)</u>
Annual OPEB cost (expense)	245,107
Contributions made (premiums payments made)	<u>(110,863)</u>
Increase in net OPEB obligation	<u>134,244</u>
Net OPEB obligation, beginning of year	<u>2,228,901</u>
Net OPEB obligation, end of year	<u><u>\$ 2,363,145</u></u>

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
6/30/2017	\$ 245,107	42.30%	\$ 2,363,145
6/30/2016	260,235	17.43%	2,228,901
6/30/2015	260,235	16.67%	2,014,035

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

June 30, 2017

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress: The funded status of the Plan as of September 1, 2016, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,165,293
Actuarial value of Plan assets	-
Underfunded actuarial accrued liability (UAAL)	4,165,293
Funded ratio (actuarial value of Plan assets/AAL)	0.00%
Covered payroll (active Plan participants)	523,951
UAAL as a percentage of covered payroll	794.98%

Although the District has not established a trust for funding the OPEB Plan, it has set aside cash 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 2016 actuarial valuation, the entry age normal actuarial cost level of pay method was used. The actuarial assumptions included a 3.5% investment rate of return, a 3% salary increase and a 3% general inflation rate. Premiums were assumed to increase 4% per year.

NOTE G – 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.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – INSURANCE (Continued)

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)	\$ 5,000,000	\$ 55,000,000	None
Property damage	100,000	150,000,000	\$500 to 1,000
Fidelity	100,000	NA	1,000
Workers compensation liability	2,000,000	Statutory	None

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.

REQUIRED SUPPLEMENTARY INFORMATION

AMERICAN RIVER FLOOD CONTROL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN
Last 10 Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.02476%	0.02269%	0.02458%
Proportionate share of the net pension liability	\$860,019	\$622,519	\$607,424
Covered - employee payroll - measurement period	\$667,525	\$657,579	\$708,794
Proportionate share of the net pension liability as a percentage of covered payroll	113.86%	94.67%	85.70%
Plan fiduciary net position as a percentage of the total pension liability	78.90%	83.70%	83.03%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in assumptions: The June 30, 2015 Actuarial Valuation changed the discount rate from 7.5% (net of administrative expense) to 7.65%.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
Last 10 Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 80,014	\$ 82,858	\$ 75,370
Contributions in relation to the actuarially determined contributions	80,014	82,858	75,370
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll - fiscal year	\$577,710	\$667,525	\$657,579
Contributions as a percentage of covered - employee payroll	13.85%	12.41%	11.46%

Notes to Schedule:

Valuation date:	June 30,	June 30,	June 30,
Methods and assumptions used to determine contribution rates:	<u>2014</u>	<u>2013</u>	<u>2012</u>

	Entry age normal		
Amortization method	Level percentage of payroll, closed		
Remaining amortization period	13 years	14 years	15 years
Asset valuation method	5-year smoothed market		
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service		
Investment rate of return	7.50%, net of pension plan investment expense, including inflation		

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

AMERICAN RIVER FLOOD CONTROL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

**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)
9/1/2016	-	\$4,165,293	\$4,165,293	0%	\$523,951	794.98%
9/1/2013	-	3,584,662	3,584,662	0%	704,638	508.72%
9/1/2010	-	1,443,558	1,443,558	0%	626,063	230.58%

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, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Assessments	\$ 2,035,000	\$ 2,035,000	\$ 2,041,097	\$ 6,097
O & M reimbursements	225,000	225,000	226,841	1,841
Use of money	75,000	75,000	107,768	32,768
Other revenues	-	-	501	501
TOTAL REVENUES	2,335,000	2,335,000	2,376,207	41,207
EXPENDITURES				
Current:				
Flood protection				
Maintenance and operations	1,413,551	1,413,551	1,416,779	(3,228)
Administration	548,203	548,203	422,930	125,273
Debt service				
Principal	-	-	144	(144)
Interest payments	-	-	39	(39)
Capital outlay	114,000	114,000	120,935	(6,935)
TOTAL EXPENDITURES	2,075,754	2,075,754	1,960,827	114,927
EXCESS OF REVENUES OVER EXPENDITURES	259,246	259,246	415,380	156,134
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	4,608	4,608
Issuance of capital lease	-	-	9,742	9,742
TOTAL OTHER FINANCING SOURCES	-	-	14,350	14,350
NET CHANGE IN FUND BALANCES	259,246	259,246	429,730	170,484
Fund balance at beginning of year	8,508,218	8,508,218	8,508,218	-
FUND BALANCE AT END OF YEAR	\$ 8,767,464	\$ 8,767,464	\$ 8,937,948	\$ 170,484

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, 2017

	Final Budget	Actual	Variance Positive (Negative)
Maintenance and Operations:			
Salaries	\$ 675,000	\$ 702,486	\$ (27,486)
Payroll taxes	54,000	50,822	3,178
Pension	119,536	122,379	(2,843)
Workers compensation insurance	33,750	35,824	(2,074)
Group insurance	116,265	167,012	(50,747)
Fuel and oil	30,000	21,720	8,280
Equipment rental	6,500	5,665	835
Equipment repairs	40,000	44,803	(4,803)
Equipment purchases less than \$1,000	500	-	500
Small tools and equipment	3,000	4,489	(1,489)
Shop supplies	12,000	11,408	592
Levee maintenance supplies	17,000	17,864	(864)
Levee maintenance chemicals	10,000	22,417	(12,417)
Levee maintenance services	34,000	84,530	(50,530)
Rodent abatement	10,000	3,132	6,868
Staff training	15,000	3,339	11,661
Employee uniforms	7,000	5,274	1,726
Emergency preparedness	20,000	76,948	(56,948)
Miscellaneous	2,000	1,313	687
Encroachment remediation	15,000	-	15,000
Engineering services	8,000	26,031	(18,031)
Not-capitalized capital outlay			
Levee Standards Compliance	100,000	-	100,000
Small capital projects	50,000	-	50,000
Engineering studies and survey studies	15,000	-	15,000
La Riviera improvements	20,000	9,323	10,677
	<u>1,413,551</u>	<u>1,416,779</u>	<u>(3,228)</u>

AMERICAN RIVER FLOOD CONTROL DISTRICT

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

For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Administration:			
Utilities	\$ 25,000	\$ 28,074	\$ (3,074)
Telephone	12,500	15,123	(2,623)
Retiree benefits	115,000	110,863	4,137
Office equipment and furniture	10,000	1,945	8,055
Office supplies	2,000	1,920	80
Auto allowance	7,100	7,082	18
Technology and software	17,000	6,060	10,940
Trustee fees	7,900	7,088	812
Trustee expenses	1,750	1,967	(217)
Accounting services	15,000	12,250	2,750
Legal services (general)	50,000	38,298	11,702
Dues and association expenses	25,000	20,631	4,369
Insurance premiums	30,000	26,838	3,162
Conferences and workshops	1,500	-	1,500
Public relations and information	35,000	29,102	5,898
Election expense	81,826	1,669	80,157
Investment services	13,000	14,404	(1,404)
Parking reimbursement	150	72	78
General office	13,000	10,366	2,634
Bookkeeping services	12,000	14,155	(2,155)
County assessment fees	21,000	36,472	(15,472)
County technology fees	24,477	26,241	(1,764)
Community services	1,500	1,000	500
Building maintenance	17,000	5,614	11,386
Property taxes	3,000	1,597	1,403
Employee morale and wellness	1,500	256	1,244
Miscellaneous	5,000	3,343	1,657
Property Acquisition	-	500	(500)
	<u>548,203</u>	<u>422,930</u>	<u>125,273</u>
Debt service			
Principal	-	144	(144)
Interest payments	-	39	(39)
	<u>-</u>	<u>183</u>	<u>(183)</u>
Capital outlay:			
Capitalized equipment and building	114,000	120,935	(6,935)
	<u>114,000</u>	<u>120,935</u>	<u>(6,935)</u>
Total expenditures	<u>\$ 2,075,754</u>	<u>\$ 1,960,827</u>	<u>\$ 114,927</u>

OTHER REPORTS



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2018.

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.

_____, 2018