

**YOLO COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT**

AUDITED FINANCIAL STATEMENTS

April 30, 2018

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS

April 30, 2018 and 2017

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
<u>Basic Financial Statements</u>	
Statements of Net Position.....	9
Statements of Revenues, Expenses and Changes in Net Position.....	10
Statements of Cash Flows.....	11
Notes to the Basic Financial Statements.....	13
<u>Supplementary Information</u>	
Statement of Net Fiduciary Net Position – Retirement Plan.....	26
Statement of Changes in Net Fiduciary Net Position – Retirement Plan.....	26
Number of Participants in Retirement Plan	26
<u>Compliance Report</u>	
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 <i>Government Auditing Standards</i>	27



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yolo County Flood Control and Water Conservation District
Woodland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Yolo County Flood Control and Water Conservation District (the District) as of and for the years ending April 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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.

To the Board of Directors
Yolo County Flood Control and Water Conservation District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of April 30, 2018 and 2017 and the changes in financial position and cash flows for the years 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, as listed in the accompanying table of contents, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 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.

Richardson & Company, LLP

July 27, 2018

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For The Year Ended April 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of Management's Discussion and Analysis, the Basic Financial Statements, and Notes to the Financial Statements. Management's Discussion and Analysis provides a narrative of the District's financial performance and activities for the fiscal years ended April 30, 2018 and 2017. The basic Financial Statements provide a broader overview of the District's finances. The Notes provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

The basic financial statements consist of three statements:

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

The *Statement of Cash Flows* present information showing how the District's cash changed during the two most recent fiscal years. It shows the sources and uses of cash.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For The Year Ended April 30, 2018

STATEMENT OF NET POSITION

	April 30,		
	2018	2017	2016
Current Assets	\$ 6,371,734	\$ 5,536,992	\$ 4,838,787
Restricted assets (CalOES)	4,589		
Capital Assets, Net of Depreciation	26,313,974	26,309,006	25,483,297
Total Assets	32,690,297	31,845,998	30,322,084
Current Liabilities	1,227,744	1,392,060	1,686,744
Long-term Liabilities	2,735,025	2,940,980	3,045,211
Total Liabilities	3,962,769	4,333,040	4,731,955
Net Position - Net Investment in Capital Assets	23,394,308	23,182,098	22,296,095
Net Position - Restricted (MERCSA)	170,777		
Net Position - Unrestricted	5,162,443	4,330,860	3,294,034
Total Net Position	\$28,727,528	\$27,512,958	\$25,590,129

Current Assets: includes cash and equivalents, accounts receivable, grants receivable, prepaid expenses and inventory. There was a 15% increase in 2018 and a 14% increase during 2017. Cash and equivalents increased by \$0.4 million in 2018, including cash and cash equivalents restricted for Madison-Esparto Regional County Service Area (MERCSA) and CalOES activities. Cash and equivalents increased by \$1.71 million in 2017. Accounts receivable and amounts due from other governments increased by \$0.4 million in 2018 and decreased by \$1.05 million in 2017. This is mainly due to activity related to the District's State Proposition 84 grant.

Capital Assets, Net of Depreciation: includes land and land rights, construction in progress and the District's dams, hydroelectric facilities, conveyance system, headquarters and related equipment. There was no significant increase in 2018 and a 3% increase in 2017. The increases were related to asset purchases.

Current Liabilities: includes accounts payable, salaries payable, interest payable, customer deposits, unearned revenue, current portion of long-term liabilities and current portion of employee compensated balances. There was a 12% increase in 2018 and a 17% decrease during 2017. These changes were related to changes in accounts payable and customer deposits.

Long-term Liabilities: includes a loan for transmission and distribution plant improvements, an equipment lease and compensated absences. There was a 7% decrease in 2018 and a 3% decrease in 2017. The decreases were mainly due to scheduled payments made on the loan payable. The decrease was smaller in 2017 due to the issuance of an equipment lease.

Net Position - Net Investment in Capital Assets: represents the historical cost of the District's property, plant and equipment, net of depreciation; plus construction in progress; less any outstanding debt related to the capital assets. There was a 4% increase in 2017 and a 5% increase in 2015. The increases are related to the changes in capital assets, net of depreciation and long-term liabilities.

Net Position - Restricted: consists of assets restricted for MERCSA activities.

Net Position - Unrestricted: consists of the excess of assets minus liabilities not invested in capital assets.

The Total Net Position: increased 4% in 2018 and 7% in 2017. The changes in 2018 were due to higher tax and grant revenues, offset by lower operating and capital revenues and higher operating expenses, and the change in 2017 was from higher water sales and capital grants, offset by increased operating expenses in 2017.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For The Year Ended April 30, 2018

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	April 30,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues			
Water Sales	\$ 3,364,586	\$ 4,614,530	\$ 2,055,128
Hydroelectric Power Sales	194,552	60,430	69,803
Recreation Fees	9,499	4,628	-
Total Operating Revenues	<u>3,568,637</u>	<u>4,679,588</u>	<u>2,124,931</u>
Non-Operating Revenue - Property Taxes	1,555,185	1,101,196	1,019,552
Non-Operating Revenue - Federal and State Grants	868,638	20,482	24,869
Non-operating Revenue - Other	225,671	151,983	606,040
Capital Contributions	449,884	1,002,742	733,751
Total Revenues	<u>6,668,015</u>	<u>6,955,991</u>	<u>4,509,143</u>
Operating Expenses			
Source of Supply	381,082	485,259	341,961
Transmission & Distribution	924,775	782,028	665,721
Environmental Resources	91,041	107,047	100,933
Hydroelectric	83,498	56,266	56,336
General and Administrative	1,353,233	1,332,876	1,371,758
Maintenance - General Plant	269,017	289,703	324,480
Water Resources / Studies	546,672	409,600	146,449
Yolo Subbasin Groundwater Agency	72,992		
Madison-Esparto Regional County Service Area	55,167	7,519	
Depreciation	940,611	941,325	811,409
Property Taxes	194,471	183,535	174,531
Total Operating Expenses	<u>4,912,559</u>	<u>4,595,158</u>	<u>3,993,578</u>
Non-Operating Expenses	540,886	438,004	334,800
Total Expenses	<u>5,453,445</u>	<u>5,033,162</u>	<u>4,328,378</u>
Change in Net Position	<u>1,214,570</u>	<u>1,922,829</u>	<u>180,765</u>
Net Position, Beginning of Year	27,512,958	25,590,129	25,409,364
Net Position, End of Year	<u>\$ 28,727,528</u>	<u>\$ 27,512,958</u>	<u>\$ 25,590,129</u>

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For The Year Ended April 30, 2018

REVENUES

The Yolo County Flood Control and Water Conservation Districts principal source of revenue is from water sales.

Fiscal Year 2017-2018 Revenues:

Revenues decreased slightly from the prior year. Total revenues were \$6.67 million. This was a decrease of \$0.29 million from the prior year.

Agricultural water sales totaled \$3.09 million and non-agricultural water sales totaled \$0.27 million. This represents a \$1.25 million decrease from 2017. Total agricultural water delivered was 116,700 acre-feet and 11,540 acre-feet of non-agricultural water deliveries.

The District uses a sliding scale to calculate water rates. This scale calculates the cost of water based upon the amount of water available in storage on April 1st of each year. The rate of agricultural water for the 2017-2018 year was \$27.00 per acre-foot compared to \$35.00 per acre-foot for the 2016-2017 year.

Hydroelectric revenues increased from \$0.06 million in 2016-2017 to \$0.19 million in 2017-2018.

The District received \$0.23 million in revenues from the former Madison Esparto Regional County Service Area (MERCOSA) from which the District assumed related slough cleaning and maintenance responsibilities.

Fiscal Year 2016-2017 Revenues:

Over-all revenues increased by 53% from the prior year.

Revenues from agricultural water sales were \$4.33 million. Non-agricultural water sales were \$0.28 million. Total water delivered was 126,250 acre-feet of agricultural water and 9,625 acre-feet of non-agricultural. This represents a \$2.56 million increase over 2016 which was a short water supply year.

The Indian Valley hydroelectric facility produced 2.00 KWH (\$0.06 million) in hydroelectric power sales, which was consistent with 2016.

Non-operating revenues consisting of property tax revenues (\$1.10 million) and federal and state grant funds for capital construction projects decreased from \$2.38 million to \$2.23 million.

Fiscal Year 2015-2016 Revenues:

Revenues from agricultural water sales were \$1.79 million. Non-agricultural water sales which include water for resale around Clear Lake and water for irrigation of golf course/lawns were \$0.25 million. The total water deliveries were 47,730 acre-feet of agricultural water and 10,470 acre-feet of non-agricultural water.

The Indian Valley hydroelectric facility produced 1.56 KWH (\$0.07 million) in hydroelectric power sales, which was an increase of \$0.7 million over 2015 when there was a lack of water to generate hydroelectric power.

Total operating revenues of \$2.12 million are 12% over budget and a substantial increase from the prior year when the District had no stored water to release for irrigation.

Revenues from the District's share of the Yolo County property tax distribution and HOPTR funds were \$1.02 million, an increase of \$0.05 million over 2015.

The District also received \$0.75 million from federal and state grants, a decrease of \$0.65 million from 2015 when the

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For The Year Ended April 30, 2018

EXPENSES

Fiscal Year 2017-2018 Expenses:

Total expenses for the fiscal year were \$5.45 million which was an increase of \$0.42 million from the previous year. Operating expenses were \$4.91 million. This includes \$0.94 million in depreciation expense.

The increase in expenses was a result of several factors: 1) An increase in maintenance activities resulting from the 2017 storm damage recovery to repair erosion and landslides in addition to an increase in chemical usage to control algae in the canal system; 2) additional expenses relating to the Stormwater Management Plan and the Yolo Subbasin Groundwater Agency; and 3) assuming maintenance services formerly performed by the Madison-Esparto Regional County Service Area.

Non-operating expenses totaled \$0.54 million compared to \$0.44 million in 2016-2017 fiscal year.

Fiscal Year 2016-2017 Expenses:

Total expenses for the fiscal year were \$5.03 million which was an increase of \$0.70 million from the previous year. Operating expenses were \$4.59 million. This includes \$0.94 million in depreciation expense. The increase was mainly attributable to increased spending on structural evaluations on the Indian Valley Dam, and increases in water flow measurement activities, and addition of involvement with the Sustainable Groundwater Management Act and Stormwater Management Plan.

Non-operating expenses increased 30% in 2017 to \$0.44 million. Non-operating expenses included loan interest expense, DWR Prop 84 IRWM Drought Grant administration costs, and write-off of a construction in progress job that will not be placed into service.

Fiscal Year 2015-2016 Expenses:

Total operating expenses of \$4.00 million were approximately 17% more than the prior year and within 1% of budget for the fiscal year. This includes \$0.81 million in depreciation expense. The increase in expenses was mainly attributable to re-instatement of some activities that were reduced in 2015 due to the drought.

Non-operating expenses increased 15% in 2016 to \$0.33 million. Non-operating expenses included the State Water Resources Control Board's loan interest payment of \$90,660 and \$166,715 of expenses applicable to administering a grant through the Department of Water Resources for Proposition 84 IRWM.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For The Year Ended April 30, 2018

GROUNDWATER REPLENISHMENT

To attach a value to the District's groundwater recharge activities, the District developed a process to account for and value the District's groundwater recharge component each year. The Groundwater Replenishment Value (GRV) is basically the value of the District's water losses in Yolo County over a fiscal year. The water losses are the difference between the water supply and water sales. The water supply figure is considered to be the larger of the District's releases from storage and the diversions at Capay Dam. The sales figure is the total reported sales in Yolo County. Once the acre-feet of water loss is determined, the figure is multiplied by the average cost of water per acre-foot for the fiscal year. The GRV value for the year ended April 30, 2018 was \$0.65 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's Board approved an operating budget at its regular May 2018 meeting. The approved expense budget for the fiscal year 2018-2019 is \$5.42 million. With projected revenues of \$7.17 million the District is projecting a net income of \$1.74 million.

Agricultural water sales are the major revenue driver in the budget. The water rates were set at \$34.00 per acre-foot for agricultural water and \$65.94 per acre-foot for non-agricultural water. The current fiscal year 2018-2019 revenue budget includes \$4.25 million in agricultural water sales, with a full supply of water.

The revenue from property taxes included in the budget is \$1.23 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the District's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Financial Supervisor, Yolo County Flood Control & Water Conservation District, 34274 State Highway 16, and Woodland, CA 95695.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION

April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,251,554	\$ 5,013,661
Restricted cash and cash equivalents - MERCSA	170,777	
Receivables:		
Accounts receivable, net	75,352	44,606
Intergovernmental	541,998	175,456
Retention	92,631	83,364
Prepaid expenses	111,879	91,929
Inventory	127,543	127,976
TOTAL CURRENT ASSETS	<u>6,371,734</u>	<u>5,536,992</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents - CalOES	4,589	
Non-depreciable capital assets	3,342,103	4,696,005
Depreciable capital assets (net)	22,971,871	21,613,001
TOTAL CAPITAL ASSETS	<u>26,313,974</u>	<u>26,309,006</u>
TOTAL NONCURRENT ASSETS	<u>26,318,563</u>	<u>26,309,006</u>
TOTAL ASSETS	<u>32,690,297</u>	<u>31,845,998</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	303,573	351,597
Salaries and benefits payable	56,149	44,188
Interest payable	26,444	28,361
Deposits payable	7,500	7,500
Unearned revenue		
Customer deposits	497,617	630,361
Other	32,825	28,236
Compensated absences, current	90,640	94,574
Loan payable, current	184,754	179,896
Capital lease, current	28,242	27,347
TOTAL CURRENT LIABILITIES	<u>1,227,744</u>	<u>1,392,060</u>
NONCURRENT LIABILITIES		
Compensated absences, noncurrent	28,355	21,315
Loan payable, noncurrent	2,647,384	2,832,138
Capital lease, noncurrent	59,286	87,527
TOTAL NONCURRENT LIABILITIES	<u>2,735,025</u>	<u>2,940,980</u>
TOTAL LIABILITIES	<u>3,962,769</u>	<u>4,333,040</u>
NET POSITION		
Net investment in capital assets	23,394,308	23,182,098
Restricted for MERCSA activities	170,777	
Unrestricted	5,162,443	4,330,860
TOTAL NET POSITION	<u>\$ 28,727,528</u>	<u>\$ 27,512,958</u>

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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Water sales	\$ 3,364,586	\$ 4,614,530
Hydroelectric power sales	194,552	60,430
Recreation fees	9,499	4,628
TOTAL OPERATING REVENUES	<u>3,568,637</u>	<u>4,679,588</u>
OPERATING EXPENSES		
Source of supply	381,082	485,259
Transmission and distribution	924,775	782,028
Environmental resources	91,041	107,047
Hydroelectric	83,498	56,266
General and administrative	1,353,233	1,332,876
Maintenance - general plant	269,017	289,703
Water studies	546,672	409,600
Yolo Subbasin Groundwater Agency	72,992	
Madison-Esparto Regional County Service Area (MERCOSA)	55,167	7,519
Depreciation	940,611	941,325
Property taxes	194,471	183,535
TOTAL OPERATING EXPENSES	<u>4,912,559</u>	<u>4,595,158</u>
OPERATING INCOME (LOSS)	(1,343,922)	84,430
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	1,329,241	1,101,196
Property taxes MERSCA	225,944	
Federal and state grants	868,638	20,482
Yolo Subbasin Groundwater Agency reimbursements	81,071	
Groundwater monitoring reimbursement		42,064
Shared service revenue	45,134	24,942
Interest income	61,602	36,564
Gain (loss) on disposal of capital assets	(272,072)	(125,515)
IRWMP Study	(126,049)	(144,088)
Interest expense	(83,167)	(115,613)
Other non-operating revenue	37,864	48,413
Other non-operating expense	(59,598)	(52,788)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,108,608</u>	<u>835,657</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	764,686	920,087
Capital contributions	449,884	1,002,742
CHANGE IN NET POSITION	1,214,570	1,922,829
Net position at beginning of year	<u>27,512,958</u>	<u>25,590,129</u>
NET POSITION AT END OF YEAR	<u>\$ 28,727,528</u>	<u>\$ 27,512,958</u>

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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,405,147	\$ 4,902,766
Cash paid to suppliers	(1,768,549)	(2,030,495)
Cash paid to employees	<u>(2,255,873)</u>	<u>(2,285,011)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(619,275)	587,260
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,423,042	1,101,196
Federal and state grants	683,970	20,482
Groundwater monitoring reimbursements		42,064
Shared service revenue	45,134	24,942
IRWMP Study	(114,273)	(155,869)
Other non-operating revenue	37,864	48,413
Other non-operating expense	<u>(59,598)</u>	<u>(52,788)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,016,139	1,028,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,145,158)	(1,632,107)
Proceeds from the sale of capital assets	5,407	
Contributed capital	386,870	1,980,156
Principal paid on debt	(207,242)	(205,076)
Interest paid on debt	<u>(85,084)</u>	<u>(87,252)</u>
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,045,207)	55,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	<u>61,602</u>	<u>36,564</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	61,602	36,564
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	413,259	1,707,985
Cash and cash equivalents at beginning of year	<u>5,013,661</u>	<u>3,305,676</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,426,920</u></u>	<u><u>\$ 5,013,661</u></u>

(Continued)
11

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 5,251,554	\$ 5,013,661
Restricted cash and cash equivalents - MERCSA	170,777	
Restricted cash and cash equivalents - CalOES	<u>4,589</u>	
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,426,920</u>	<u>\$ 5,013,661</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,343,922)	\$ 84,430
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	940,611	941,325
Decrease (increase) in:		
Receivables	(30,746)	41,333
Prepaid costs	(19,950)	(13,315)
Inventory	433	16,129
Increase (decrease) in:		
Accounts payable	(48,024)	(653,742)
Salaries and benefits payable	11,961	(1,400)
Unearned revenue	(132,744)	181,845
Compensated absences	<u>3,106</u>	<u>(9,345)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (619,275)</u>	<u>\$ 587,260</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Well contributed by City of Woodland	\$ 77,900	

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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Yolo County Flood Control and Water Conservation District (the District) was formed July 1, 1951 under the provisions of the State of California, General Law 9307, Statutes of 1951, Chapter 1647 to provide irrigation water and flood control. The District is governed by a five-member Board of Directors who are appointed by the Yolo County Board of Supervisors for alternating four-year terms. The District currently provides irrigation water to approximately 58,000 acres of agricultural land.

The District's boundaries cover 195,000 acres of Yolo County, including the Cities of Woodland, Davis and Winters, and the towns of Capay, Esparto, Madison, and other small communities within the Capay Valley. The District manages a small hydroelectric plant, two reservoirs, more than 150 miles of canals and laterals, and three dams.

On May 3, 2016, the Board of Directors adopted a resolution supporting a Yolo County application with the Yolo Local Agency Formation Commission to dissolve the Madison-Esparto Regional County Service Area (MERCOSA) and agreed to assume responsibility for revenues and expenses associated with slough cleaning and maintenance services formerly performed by MERCOSA within the dissolved Madison County Service Area.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on the application of the criteria above, management has determined that there are no component units of the District.

Affiliated Entities: The District is a member of the Association of California Water Agencies – Joint Powers Insurance Authority (JPIA). The JPIA began operations on October 1, 1979 and has continued without interruption since that time. The JPIA is composed of member water agencies and is governed by a board of directors appointed by the member districts. The governing board has authority over budget and financing. The JPIA is empowered to bill for and recover the amount of any deficit at the end of the fiscal year in which it occurs should further contributions on the part of the deficit member be insufficient to cure the deficit. Complete audited financial statements can be obtained at the Agency's office: 2100 Professional Drive, Roseville, California, 95661-3700.

In June 2017, the District joined the newly formed Yolo Subbasin Groundwater Agency (the Agency), which operates in accordance with a Joint Exercise of Power Agreement (the Agreement) between the District, 17 other local agencies located in the Yolo Subbasin of the Sacramento Valley Groundwater Basin and a the Yocha Dehe Wintun Nation. The Agency was established to be the Groundwater Sustainability Agency for the Subbasin to coordinate and administer compliance with the State of California SB 1168, SB 1319 and AB 1739 (collectively the Sustainable Groundwater Management Act (SGMA)). The Board of Directors of the Agency is initially comprised of one representative of each of the 19 members and 5 "Affiliated Parties" listed in the agreement. Exhibit D of the Agreement provides for the collection of administrative fees from members for the first two years of operations that may be revised in subsequent years. The District's administrative fees total \$100,000 in each of the first two years of operations under Exhibit D of the Agreement.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The District is a member of the Northern California Water Association (NCWA), a California Nonprofit Mutual Benefit Corporation. The NCWA supports and promotes the maintenance of existing surface and ground water rights in Northern California, educates its members, governmental authorities and the public regarding all aspects of water use and provides a forum for the exchange of information between water purveyors. The NCWA has sixteen board members selected from its members. The NCWA is authorized to collect dues from the members for operating costs of the Association under its Bylaws.

The District is a member of the Water Resources Association of Yolo County, a California non-profit mutual benefit corporation (the Association). The Association supports the efforts of its members to obtain, protect and maintain a high-quality water supply adequate for present and future needs of Yolo County, educates its members, governmental authorities and the public regarding all aspects of water use and water rights and provides a forum for the exchange of information among its members and others. The District is a party to the Westside Sacramento Integrated Regional Water Management Plan through its associate membership in the Association. The Association is authorized to collect dues from the members for operating costs of the Association under its Bylaws. The District is the authorized representative for the Association to submit the application and execute an agreement with the California Department of Water Resources for the 2015 IRWM Grant application funded by California Proposition 84.

The District has only a residual interest in the assets of the entities described above upon their dissolution and would not be held responsible for any of the entities' liabilities.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. A fund is a self-balancing set of accounts. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include revenues from grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. When such funds are received, they are reported as unearned revenue until the earnings process is complete. Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

operations of the District. Operating revenues consist primarily of water sales and hydroelectric power sales. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand, cash held in a bank checking account, cash on deposit in the State of California Local Agency Investment Fund (LAIF), and cash pooled in the Yolo County (County) Treasurer's pool. The investment in LAIF is stated at fair value and the investment in the County Pool is stated at amortized cost, which approximates fair value. Investments in LAIF and in the County pool are available on demand.

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturity of three months or less and amounts held in LAIF and in the County pool to be cash and cash equivalents.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents represents \$170,777 of cash and cash equivalents held by the District that was derived from tax assessments restricted for slough cleaning and maintenance of the former MERCSA within the former Madison County Service Area and \$4,589 from the California Governor's Office of Emergency Services (CalOES) for energy dissipaters that were not purchased as of year-end.

Receivables: Receivables consist mainly of amounts due for water service charges and a retention due from other governments. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At April 30, 2018 and 2017, this allowance was estimated at \$6,433 and \$6,084, respectively.

Prepaid Expenses: Payments made for services that will benefit periods beyond the balance sheet date are recorded as prepaid expenses. Prepaid expenses are recognized as expenses when consumed rather than when paid.

Inventory: Inventory items are reported at cost using the average cost method. Inventory consists of expendable supplies held for consumption. The costs of inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are defined by the District as assets with a cost of \$2,500 or more. Major outlays for capital assets and improvements are capitalized as projects are constructed. Maintenance and repairs are charged to operations when incurred. Interest incurred during the construction phase is included as part of the capitalized cost, if significant. The District has not capitalized any construction period interest.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Capital assets used in operations are depreciated or amortized using the straight-line method over the estimated useful life. The range of estimated useful lives by type of asset is as follows:

Description	Estimated Life
Dams and hydroelectric plants	30-100 years
Buildings and improvements	10-35 years
Bridges	20-50 years
Equipment	5-25 years
Meters and Gauges	15 years

Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Unearned Revenue: Under the accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue. The District collects cash deposits from customers equal to \$5 per acre of land to be irrigated. These deposits are applied to customer billings once water delivery occurs. The District also received \$4,589 from CalOES for energy dissipaters that were not purchased at April 30, 2018.

Compensated Absences and Postemployment Benefits: The District's policy is to permit employees to accumulate up to 320 hours of earned but unused vacation and compensatory time-off, which vests with the employee and will be paid upon separation from District service. Sick leave is not payable at separation and is not accrued by the District. The liability for these compensated absences is recorded as a long-term liability in the financial statements. The current portion of this liability is estimated based on historical trends. In the financial statements, the proprietary funds report the liability as it is incurred. The District did not include salary related payments in the compensated absences liability, including social security taxes, Medicare taxes and contributions to the defined contribution retirement plan that would be paid on amounts accrued. However, salary related payments are not considered to be significant.

The District does not currently provide postemployment benefits.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At April 30, 2018 and 2017, the District did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At April 30, 2018 and 2017, the District did not have any deferred inflows of resources.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property Taxes: Yolo County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Yolo up to 1 percent of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The valuation/lien date for all property taxes is January 1. Secured property tax is due in two 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. Unsecured property taxes are due on March 1, and become delinquent, if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the "Teeter Plan". Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

Grant Revenues: Certain grant revenues are recognized when specified related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if accrual criteria is met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue. The District's State Proposition 50 and 84 grants and CalOES revenues are restricted for certain capital projects and are reported as capital contributions.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification: 2017 groundwater monitoring reimbursements revenue was reclassified to conform to the 2018 financial statement presentation. The revenues were previously netted against the related water studies operating expenses. This reclassification had no effect on total assets, liabilities, net position or change in net position previously reported.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in the notes to government financial statements and clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

default with finance-related consequences and significant subjective acceleration clauses. For notes to the financial statement there is a requirement that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2018.

NOTE B – CASH AND CASH EQUIVALENTS

As of April 30, the District's cash and cash equivalents consisted of the following:

	2018	2017
Cash:		
Cash on hand	\$ 350	\$ 350
Bank deposits	1,911,116	1,506,057
Total cash	<u>1,911,466</u>	<u>1,506,407</u>
Investments:		
Yolo County investment pool	469,470	496,845
Local Agency Investment Fund	2,870,618	3,010,409
Local Agency Investment Fund restricted	175,366	
Total LAIF	<u>3,045,984</u>	<u>3,010,409</u>
Total investments	<u>3,515,454</u>	<u>3,507,254</u>
Total cash and cash equivalents	<u>\$ 5,426,920</u>	<u>\$ 5,013,661</u>

Investment Policy: The District's investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on meeting daily cash flow needs, while striving to achieve the highest yield or return on investment. All investments are made in accordance with Government Code, Section 53600, Chapter 4 – Financial Affairs and, in general, the investment policy is more restrictive than state law. Under the provisions of the District's investment policy the District may invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Credit Quality
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
State obligations - CA and others	5 years	None	None
California local agency obligations	5 years	None	None
U.S. agency obligations	5 years	None	None
Bankers acceptances	180 days	40%	None
Certificates of deposit	5 years	30%	None
Mutual funds/money market mutual funds	N/A	20%	AAA
Local Agency Investment Fund (LAIF)	N/A	None	None
County pooled investment funds	N/A	None	None

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE B – CASH AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations. As of April 30, the District had the following investments:

Investment Type	2018			Weighted Average Maturity (Days) March 31, 2018
	Interest Rates	Maturities		
		12 Months Or Less	13 to 24 Months	
Yolo County investment pool	Variable		\$ 469,470	840
Local Agency Investment Fund (LAIF)	Variable	\$ 3,045,984		183
Total Investments		\$ 3,045,984	\$ 469,470	
Investment Type	2017			Weighted Average Maturity (Days) March 31, 2017
	Interest Rates	Maturities		
		12 Months Or Less	13 to 24 Months	
Yolo County investment pool	Variable		\$ 496,845	578
Local Agency Investment Fund (LAIF)	Variable	\$ 3,010,409		180
Total Investments		\$ 3,010,409	\$ 496,845	

Credit Risk: 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 by a nationally recognized statistical rating organization. Neither LAIF nor the County pool have a rating provided by a nationally recognized statistical rating agency.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the District contain limitations on the amount that can be invested in any one issuer. All investments of the District are in the LAIF and the County pool which contain a diversification of investments.

Custodial Credit Risk for Deposits: 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 this 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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE B – CASH AND INVESTMENTS (Continued)

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 April 30, 2018 and 2017, the carrying amounts of the District's deposits were \$1,911,116 and \$1,506,057 and the balances in the financial institutions were \$1,940,354 and \$2,489,961, respectively. Of the balances in financial institutions, \$250,000 at April 30, 2018 and 2017 was covered by federal depository insurance and the remaining amounts were secured by a pledge of securities by the financial institution, but not in the name of the District.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Investments in External Investment Pools

Investment in Local Agency Investment Fund (LAIF): The District is a voluntary participant in the LAIF Funds deposited in LAIF are invested in accordance with Government Code Sections 16430 and 16480. Oversight of LAIF is provided by the Pooled Money Investment Board whose members are the California State Treasurer, California Director of Finance and the California State Controller. The LAIF Board consists of five members as designated by state statute. Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the District's position in the pool is the same as the value of the pooled shares. The total fair value invested by all public agencies in LAIF was \$85,842,094,642 and \$75,849,528,212 at April 30, 2018 and 2017, respectively. Of that amount, 97.37% and 97.61% was invested in non-derivative financial products, and 2.63% and 2.39% in structured notes and asset-backed securities at April 30, 2018 and 2017, respectively.

Investment in Yolo County Investment Pool: The District participates in the Yolo County Investment Pool, which is managed by the Yolo County Treasurer. Funds deposited in the County pool are invested in accordance with the California State Government Code and the County investment policy. The County has established a treasury oversight committee to monitor and review the management of funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. On a quarterly basis, interest is allocated to participants based on average daily balances. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investments held in the County's investment pool are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the District's position in the pool is the same as the value of the pooled shares. Information regarding categorization of investments and other deposit and investment risk disclosures can be found in Yolo County's financial statements. Withdrawal of funds from the Yolo County Investment Pool may occur pursuant to Government Code Section 27136 and approval of the Board of Supervisors. The Yolo County financial statements may be obtained by contacting the County Auditor Controller's office at 625 Court Street, Room 102, Woodland, CA 95695.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended April 30 are as follows:

	Balance May 1, 2017	Additions	Retirements	Transfers	Balance April 30, 2018
Capital assets not being depreciated:					
Land and land rights	\$ 2,765,137				\$ 2,765,137
Construction in progress	1,930,868	\$ 976,055	\$ (266,215)	\$ (2,063,742)	576,966
Total capital assets, not being depreciated	<u>4,696,005</u>	<u>976,055</u>	<u>(266,215)</u>	<u>(2,063,742)</u>	<u>3,342,103</u>
Capital assets being depreciated:					
Source of supply	20,291,985	77,900		28,334	20,398,219
Transmission and distribution plant	14,385,644	508	(21,214)	2,000,160	16,365,098
General plant	4,609,089	168,595		35,248	4,812,932
Total capital assets, being depreciated	<u>39,286,718</u>	<u>247,003</u>	<u>(21,214)</u>	<u>2,063,742</u>	<u>41,576,249</u>
Less accumulated depreciation for:					
Source of supply	(9,080,554)	(327,558)			(9,408,112)
Transmission and distribution plant	(4,966,635)	(391,858)	9,950		(5,348,543)
General plant	(3,626,528)	(221,195)			(3,847,723)
Total accumulated depreciation	<u>(17,673,717)</u>	<u>(940,611)</u>	<u>9,950</u>		<u>(18,604,378)</u>
Total capital assets, being depreciated, net	<u>21,613,001</u>	<u>(693,608)</u>	<u>(11,264)</u>	<u>2,063,742</u>	<u>22,971,871</u>
Total capital assets, net	<u>\$ 26,309,006</u>	<u>\$ 282,447</u>	<u>\$ (277,479)</u>	<u>\$ -</u>	<u>\$ 26,313,974</u>
	Balance May 1, 2016	Additions	Retirements	Transfers	Balance April 30, 2017
Capital assets not being depreciated:					
Land and land rights	\$ 2,765,137				\$ 2,765,137
Construction in progress	3,750,818	\$ 1,647,778	\$ (94,458)	\$ (3,373,270)	1,930,868
Total capital assets, not being depreciated	<u>6,515,955</u>	<u>1,647,778</u>	<u>(94,458)</u>	<u>(3,373,270)</u>	<u>4,696,005</u>
Capital assets being depreciated:					
Source of supply	19,229,442	10,460	(134,156)	1,186,239	20,291,985
Transmission and distribution plant	12,274,399		(4,099)	2,115,344	14,385,644
General plant	4,333,063	234,311	(29,972)	71,687	4,609,089
Total capital assets, being depreciated	<u>35,836,904</u>	<u>244,771</u>	<u>(168,227)</u>	<u>3,373,270</u>	<u>39,286,718</u>
Less accumulated depreciation for:					
Source of supply	(8,853,940)	(329,839)	103,225		(9,080,554)
Transmission and distribution plant	(4,602,383)	(368,254)	4,002		(4,966,635)
General plant	(3,413,239)	(243,232)	29,943		(3,626,528)
Total accumulated depreciation	<u>(16,869,562)</u>	<u>(941,325)</u>	<u>137,170</u>		<u>(17,673,717)</u>
Total capital assets, being depreciated, net	<u>18,967,342</u>	<u>(696,554)</u>	<u>(31,057)</u>	<u>3,373,270</u>	<u>21,613,001</u>
Total capital assets, net	<u>\$ 25,483,297</u>	<u>\$ 951,224</u>	<u>\$ (125,515)</u>	<u>\$ -</u>	<u>\$ 26,309,006</u>

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE C – CAPITAL ASSETS (Continued)

Depreciation expense of \$940,611 and \$941,325 was charged to operations during the years ended April 30, 2018 and 2017.

NOTE D – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the years ended April 30:

	Balance May 1, 2017	Additions	Retirements	Balance April 30, 2018	Due Within One Year
Compensated absences	\$ 115,889	\$ 52,426	\$ (49,320)	\$ 118,995	\$ 90,640
Loan payable	3,012,034		(179,896)	2,832,138	184,754
Capital lease	114,874		(27,346)	87,528	28,242
Total	\$ 3,242,797	\$ 52,426	\$ (256,562)	\$ 3,038,661	\$ 303,636

	Balance May 1, 2016	Additions	Retirements	Balance April 30, 2017	Due Within One Year
Compensated absences	\$ 125,234	\$ 1,051	\$ (10,396)	\$ 115,889	\$ 94,574
Loan payable	3,187,202		(175,168)	3,012,034	179,896
Capital lease		144,782	(29,908)	114,874	27,347
Total	\$ 3,312,436	\$ 145,833	\$ (215,472)	\$ 3,242,797	\$ 301,817

Loan Payable: A State Water Resources Control Board Loan was issued March 9, 2011 in the amount of \$4,220,712. The loan carries an interest rate of 2.7% and is due in annual installments of \$261,221 through December 15, 2030. The loan was used to finance improvements to transmission and distribution plant and is secured by a lien on net revenues. A provision exists in the agreement requiring pledged revenues exceed 1.2 times the highest year’s debt service on the loan and 1.1 times debt service on the loan and all other District debt if additional debt is issued.

Capital Lease: In September 2016, the District entered into a lease-purchase agreement for a Tiger Bengal Boom Mower on a John Deere 6105M Tractor. The lease carries an interest rate of 3.27% and is due in annual installments of \$31,306 through December 30, 2020. The District may purchase the equipment at a stated purchase price in the agreement. The equipment under the capital lease had a cost of \$144,782 and accumulated depreciation of \$10,255 and \$3,016 at April 30, 2018 and 2017, respectively.

The future payments on loans payable were as follows at April 30:

Year Ending April 30	2018 Loan Payable			Year Ending April 30	2017 Loan Payable		
	Principal	Interest	Total		Principal	Interest	Total
2019	\$ 184,754	\$ 76,468	\$ 261,221	2018	\$ 179,896	\$ 81,325	\$ 261,221
2020	189,742	71,479	261,221	2019	184,754	76,468	261,222
2021	194,865	66,356	261,221	2020	189,742	71,479	261,221
2022	200,126	61,095	261,221	2021	194,865	66,356	261,221
2023	205,530	55,692	261,222	2022	200,126	61,095	261,221
2024-2028	1,113,946	171,646	1,285,592	2023-2027	1,084,660	200,933	1,285,593
2029-2031	743,175	61,002	804,177	2028-2031	977,991	87,407	1,065,398
	\$ 2,832,138	\$ 563,738	\$ 3,395,875		\$ 3,012,034	\$ 645,063	\$ 3,657,097

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE D – LONG-TERM LIABILITIES (Continued)

Year Ending April 30	2018 Capital Lease			Year Ending April 30	2017 Capital Lease		
	Principal	Interest	Total		Principal	Interest	Total
2019	\$ 28,242	\$ 2,864	\$ 31,106	2018	\$ 27,347	\$ 3,759	\$ 31,106
2020	29,166	1,940	31,106	2019	28,242	2,864	31,106
2021	30,120	987	31,107	2020	29,166	1,940	31,106
	<u>\$ 87,528</u>	<u>\$ 5,791</u>	<u>\$ 93,319</u>	2021	<u>30,119</u>	<u>987</u>	<u>31,106</u>
					<u>\$ 114,874</u>	<u>\$ 9,550</u>	<u>\$ 124,424</u>

Pledged Revenue: The District has pledged future revenues, net of expenses, as defined in the agreement, in accordance with the requirements of the State Water Resources Control Board Loan. The loan was used to finance improvements to transmission and distribution plant. The loan is payable from a lien on the District’s net revenues through December 15, 2030. Total principal and interest remaining to be paid on the loan was \$3,395,875 and \$3,657,097 at April 30, 2018 and 2017, respectively. Total principal and interest paid on the cash basis was \$261,221 each year and total net revenues were \$2,168,612 and \$2,864,154 for the years ended April 30, 2018 and 2017, respectively, including non-operating revenues and expenses and capital contributions, but excluding depreciation. For the year ended April 30, 2018 and 2017, annual principal and interest payments on the loan were approximately 12% and 9% of net revenues and are expected to be in this range of net revenues in the future.

NOTE E – NET POSITION

The proprietary fund financial statements report net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted.

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

NOTE F – DEFINED CONTRIBUTION RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN

Defined Contribution Retirement Plan: The District administers the Yolo County Flood Control & Water Conservation District Money Purchase Pension Plan and General Manager’s Money Purchase Plan (the Plan), a single-employer money purchase defined contribution plan, which is funded exclusively through the purchase of annuity contracts. Employees are eligible to participate after one year of service. The District makes a 7% fixed contribution to the Plan.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE F – DEFINED CONTRIBUTION RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN (Continued)

Employees are fully vested in the District’s fixed contribution after three years of service. Employees do not contribute to the Plan. During the fiscal years ended April 30, 2018 and 2017, the District’s fixed contributions to the Plan were \$111,120 and \$114,255, respectively. The District also provides a discretionary match of employee contributions to the Section 457 Plan described below under the provisions of the Plan.

The District administers a deferred compensation plan under Internal Revenue Code Section 457 (457 Plan). Employees may authorize voluntary payroll deductions from \$10 to an annual maximum of \$15,000 or 100% of wages, whichever is less. As part of the Money Purchase Pension Plan described above, the District matches 50% of the employees deferred compensation contributions up to a maximum of 6% of the employee's compensation and deposits the discretionary contributions into the Money Purchase Pension Plan. Employees individually direct the investment of their funds from an assortment of available investment options within the 457 Plan portfolio. Employees are fully vested as to their contributions when they are made and are fully vested in the District’s discretionary matching contributions after three years of service. For the fiscal years ended April 30, 2018 and 2017, the District contributed \$39,273 and \$41,632, respectively, to the Plan.

NOTE G – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Various claims have been filed against the District. In the opinion of the District’s management and legal counsel, the claims will not have a material impact on the basic financial statements.

No significant contract commitments existed as of April 30, 2018. The District had capital project commitments totaling \$211,834 related to construction work as of April 30, 2017.

NOTE H – 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 officials 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:

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2018 and 2017

NOTE H – INSURANCE (Continued)

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	500,000,000	\$ 500 - 50,000
Crime	100,000	1,000,000	1,000
Workers Compensation Liability	2,000,000	Statutory	None
Employers Liability	2,000,000	Statutory	None

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage and there have been no reductions in insurance coverage in any of the past three fiscal years.

NOTE I – SUBSEQUENT EVENT

In May 2018, the District entered into a short-term renewable power purchase agreement with the Sacramento Municipal Utility District (SMUD) for the period June 1, 2018 to May 31, 2020. The purpose of the agreement is to provide a short-term source of renewable power (energy and green attributes) to fulfill a portion of the renewable energy and capacity needs of the Valley Clean Energy Alliance, a Community Choice Aggregator for which SMUD is providing wholesale energy services. SMUD will purchase all power generated and delivered from the District's Indian Valley Hydro Project, FERC Project No. 4066, located on the Indian Valley Reservoir. SMUD will pay the District \$54.50 per MWh for on-peak and \$44.50 per MWh for off-peak power generation and the District will pay SMUD for scheduling coordination at \$4 per MWh with a yearly minimum of \$50,000 under the agreement. The agreement may be amended to allow SMUD to purchase resource adequacy capacity rights at terms mutually agreed to by the District and SMUD.

SUPPLEMENTARY INFORMATION

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

SUPPLEMENTARY INFORMATION

STATEMENT OF FIDUCIARY NET POSITION - RETIREMENT PLAN

April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Contributions receivable - employer	\$ 4,200	\$ 2,853
Investments:		
Fixed income	251,794	504,802
Target date funds	2,451,511	2,148,991
Stock mutual funds	244,871	414,473
Total Investments	<u>2,948,176</u>	<u>3,068,266</u>
TOTAL ASSETS	<u>2,952,376</u>	<u>3,071,119</u>
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	<u>\$ 2,952,376</u>	<u>\$ 3,071,119</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - RETIREMENT PLAN

For the Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions - employer	\$ 151,740	\$ 156,158
Interest	14,633	15,421
Increase (decrease) in investments	24,933	281,880
TOTAL ADDITIONS	<u>191,306</u>	<u>453,459</u>
DEDUCTIONS		
Benefit payments	310,049	73,545
Administrative expenses		6,500
TOTAL DEDUCTIONS	<u>310,049</u>	<u>80,045</u>
NET INCREASE IN NET POSITION	(118,743)	373,414
Net position restricted for retiremen benefits - beginning of year	<u>3,071,119</u>	<u>2,697,705</u>
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	<u>\$ 2,952,376</u>	<u>\$ 3,071,119</u>

Number of Participants in Retirement Plan:

Active	20	20
Retiree	8	9

COMPLIANCE REPORT

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

To the Board of Directors
Yolo County Flood Control and Water Conservation District
Woodland, 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 proprietary fund of Yolo County Flood Control and Water Conservation District, Woodland, California (District), as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 27, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Yolo County Flood Control and Water Conservation 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

July 27, 2018