

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

AUDITED FINANCIAL STATEMENTS

April 30, 2020

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS

April 30, 2020 and 2019

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550 Howe Avenue, Suite 210
Sacramento, California 95825

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

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, 2020 and 2019, 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, 2020 and 2019 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 31, 2020 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 solely 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 the effectiveness of the District's 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 31, 2020

**YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2020**

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, 2020 and 2019. 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, 2020**

STATEMENT OF NET POSITION

	April 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 5,139,178	\$ 9,257,990	\$ 6,371,734
Restricted assets (CalOES)	-	-	4,589
Capital Assets, Net of Depreciation	31,668,027	29,254,256	26,313,974
TOTAL ASSETS	36,807,205	38,512,246	32,690,297
Current Liabilities	846,571	3,366,550	1,227,744
Long-term Liabilities	2,307,651	2,518,511	2,735,025
TOTAL LIABILITIES	3,154,222	5,885,061	3,962,769
Net Position - Net Investment in Capital Assets	29,180,264	26,547,585	23,394,308
Net Position - Unrestricted	4,472,719	6,079,600	5,333,220
TOTAL NET POSITION	\$33,652,983	\$32,627,185	\$28,727,528

Current Assets: includes cash and equivalents, accounts receivable, grants receivable, prepaid expenses and inventory. There was a \$4.12 million decrease in 2020 compared to 2019. The decrease in 2020 was mainly due to a \$3.11 million decrease used to fund the Moore Siphon Replacement Project. Also there was a decrease in accounts receivable of \$0.98 million due to grants and OES receivables that were paid off.

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. The \$2.41 million increase in 2020 was partly due to the completion of the Moore Siphon Replacement Project (\$3.31 million); new canal structures; and a write-off of assets that fell below our current fixed asset policy threshold.

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 75% decrease (\$2.52 million) in 2020. The decrease was mainly in prior year accounts payables for the Indian Valley power poles and transmission line replacement which were paid off.

Long-term Liabilities: includes a loan for transmission and distribution plant improvements, an equipment lease and compensated absences. The 2020 decrease was due to payments on the loan principal.

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 \$2.63 million increase in 2020 and a \$3.15 million increase in 2019. The increases are related to the changes in capital assets, net of depreciation and current and long-term liabilities.

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

The Total Net Position: increased \$1.03 million in 2020 and increased \$3.90 million in 2019. The changes in 2020 were due to lower capital and operating costs and the 2019 increase was due to higher operating revenue and capital contributions and lower operating expenses, offset by lower non-operating revenues as explained on the following schedule.

**YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2020**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	April 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Water Sales	\$ 3,688,008	\$ 4,564,765	\$ 3,364,586
Hydroelectric Power Sales	555,003	137,230	194,552
Recreation Fees	12,063	6,380	9,499
Total Operating Revenues	<u>4,255,074</u>	<u>4,708,375</u>	<u>3,568,637</u>
Non-Operating Revenues:			
Property Taxes	1,375,975	1,337,463	1,555,185
Federal and State Grants	704,623	146,061	868,638
Miscellaneous Non-Operating Revenue	537,875	305,950	225,671
Total Non-Operating Revenues	<u>2,618,473</u>	<u>1,789,474</u>	<u>2,649,494</u>
Capital Contributions	471,670	2,195,559	449,884
TOTAL REVENUES	<u>7,345,217</u>	<u>8,693,408</u>	<u>6,668,015</u>
Operating Expenses			
Source of Supply	603,608	415,616	381,082
Transmission & Distribution	1,443,164	920,362	924,775
Environmental Resources	7,740	11,404	91,041
Hydroelectric	89,946	43,918	83,498
General and Administrative	1,022,331	1,144,867	1,353,233
Maintenance - General Plant	327,193	343,846	269,017
Water Resources / Studies	309,797	367,530	546,672
Yolo Subbasin Groundwater Agency	26,688	203,791	72,992
FloodSAFE Yolo Expenses	176,501	-	-
Madison-Esparto Regional County Service Area	132,882	19,855	55,167
Depreciation	1,008,781	983,871	940,611
Property Taxes	222,975	210,597	194,471
Total Operating Expenses	<u>5,371,606</u>	<u>4,665,657</u>	<u>4,912,559</u>
Non-Operating Expenses	947,813	128,094	540,886
TOTAL EXPENSES	<u>6,319,419</u>	<u>4,793,751</u>	<u>5,453,445</u>
CHANGE IN NET POSITION	<u>1,025,798</u>	<u>3,899,657</u>	<u>1,214,570</u>
Net Position, Beginning of Year	32,627,185	28,727,528	27,512,958
Net Position, End of Year	<u>\$ 33,652,983</u>	<u>\$ 32,627,185</u>	<u>\$ 28,727,528</u>

**YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2020**

REVENUES

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

Fiscal Year 2019-2020 Revenues:

Total Revenues decreased \$1.35 million from the prior year. Total revenues were \$7.35 million.

Agricultural water sales totaled \$3.40 million and non-agricultural water sales totaled \$0.28 million. This represents a \$0.88 million total decrease from 2019. Total agricultural water delivered was 127,350 acre-feet and 9,600 acre-feet of non-agricultural water was delivered.

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 2019-2020 year was \$26.00 per acre-foot compared to \$34.00 per acre-foot for the 2018-2019. Non-agricultural water rates remained at \$65.94 per acre-foot.

Hydroelectric Power Sales increased to \$0.56 million in 2019-2020. This was up \$0.42 million from 2018-2019, which was due to the power lines being under repair for part of fiscal year 2018-2019.

The District received grant funds of \$0.71 million combined from the State Water Resources Control Board Stormwater Management Plan and the CA Department of Water Resources Yolo Subbasin Groundwater Sustainability Plan (GSP).

The District also received grant funds from the CA Department of Water Resources Prop 84 Drought Grant fund in the amount of \$0.42 million, which contributed to capital projects.

Fiscal Year 2018-2019 Revenues:

Revenues increased \$2.03 million from the prior year. Total revenues were \$8.69 million.

Agricultural water sales totaled \$4.28 million and non-agricultural water sales totaled \$0.28 million. This represents a \$1.24 million increase from 2018. Total agricultural water delivered was 128,300 acre-feet and 10,000 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 2018-2019 year was \$34.00 per acre-foot compared to \$27.00 per acre-foot for the 2017-2018 year.

Hydroelectric revenues decreased from \$0.19 million in 2017-2018 to \$0.14 million in 2018-2019.

The District received capital grants of \$2.2 million, mainly from CalOES to replace power poles and transmission lines destroyed in the Pawnee Fire.

**YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2020**

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.

EXPENSES

Fiscal Year 2019-2020 Expenses:

Total expenses for the fiscal year were \$6.32 million, which was an increase of \$1.53 million from the previous year.

Operating expenses were \$5.37 million, which was a \$0.71 million increase from 2018-2019. This includes \$1.01 million in depreciation expense.

The increase in expenses was a result of several factors: 1) an increase in expenses due to the write-off of expenses relating to the 2019 storm damage recovery; 2) expenses relating to FloodSAFE Yolo 2.0 program; and increased expenses relating to flood prevention for the Madison-Esparto Regional County Service Area (MERCOSA).

Non-operating expenses totaled \$0.95 million compared to \$0.13 million in 2018-2019 fiscal year. The increase is attributable to expenses on the Yolo Subbasin GSP Grant, and services provided to Yolo County for the Madison Flood Control Mitigation Fund program.

Fiscal Year 2018-2019 Expenses:

Total expenses for the fiscal year were \$4.80 million, which was a decrease of \$0.66 million from the previous year. Operating expenses were \$4.67 million. This includes \$0.98 million in depreciation expense.

The decrease in expenses was a result of several factors: 1) A decrease in expenses relating to the Stormwater Management Plan; 2) completion of the Proposition 84 Drought Grant administrative activities; 3) a decrease in Environmental Resources expense staffing; and 4) lower costs relating to hydroelectric and MERCOSA activities.

Non-operating expenses totaled \$0.13 million compared to \$0.54 million in 2017-2018 fiscal year.

**YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2020**

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.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	April 30,		
	2020	2019	2018
Land and Land Rights	\$ 2,765,137	\$ 2,765,137	\$ 2,765,137
Construction in Progress	230,133	3,475,797	576,966
Source of Supply	23,099,074	20,528,784	20,398,219
Transmission and Distribution Plant	20,314,346	16,872,144	16,365,098
General Plant	4,851,114	4,977,796	4,812,932
Less: Accumulated Depreciation	(19,591,777)	(19,365,402)	(18,604,378)
TOTAL CAPITAL ASSETS, NET	\$ 31,668,027	\$ 29,254,256	\$ 26,313,974

Major capital asset events during 2020 included the replacement of the Moore Siphon in Cache Creek and the replacement of the Indian Valley Hydroelectric transmission lines and poles destroyed by the 2018 Lake County Pawnee fire.

OUTSTANDING FINANCING DEBT

	April 30,		
	2020	2019	2018
State Water Resources Control Board Loan Payable	\$ 2,457,643	\$ 2,647,385	\$ 2,832,138
Annual Interest Payable	\$71,479	\$76,468	\$81,325

The SWRCB Loan was issued March 9, 2011 in the amount of \$4,220,712 to finance improvements to the Capay Dam and apron.

**YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2020**

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 years ended April 30, 2020 and 2019 was \$1.16 million and \$0.80 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's Board approved an operating budget at its regular May 2020 meeting. The approved expense budget for the fiscal year 2020-2021 is \$6.78 million. With projected revenues of \$7.24 million the District is projecting a net income of \$0.46 million.

Agricultural water sales are the major revenue driver in the budget. The water rates were set at \$32.00 per acre-foot for agricultural water and \$65.94 per acre-foot for non-agricultural water. The current fiscal year 2020-2021 revenue budget includes \$4.17 million in agricultural water sales, with a full supply of water.

The revenue from property taxes included in the budget is \$1.64 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

STATEMENTS OF NET POSITION

April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,816,188	\$ 6,925,902
Receivables:		
Accounts receivable, net	227,066	37,936
Intergovernmental	694,175	1,936,970
Retention	201,087	131,232
Prepaid expenses	105,783	99,216
Inventory	94,879	126,734
TOTAL CURRENT ASSETS	<u>5,139,178</u>	<u>9,257,990</u>
NONCURRENT ASSETS		
Non-depreciable capital assets	2,995,270	6,240,934
Depreciable capital assets, net	28,672,757	23,013,322
TOTAL CAPITAL ASSETS	<u>31,668,027</u>	<u>29,254,256</u>
TOTAL NONCURRENT ASSETS	<u>31,668,027</u>	<u>29,254,256</u>
TOTAL ASSETS	<u>36,807,205</u>	<u>38,512,246</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	215,552	2,540,765
Salaries and benefits payable	98,976	67,255
Interest payable	22,447	24,473
Deposits payable		7,500
Unearned revenue		
Customer deposits	127,508	408,945
Grants	41,326	
Compensated absences, current	115,777	98,704
Loan payable, current	194,865	189,742
Capital lease, current	30,120	29,166
TOTAL CURRENT LIABILITIES	<u>846,571</u>	<u>3,366,550</u>
NONCURRENT LIABILITIES		
Compensated absences, noncurrent	44,873	30,748
Loan payable, noncurrent	2,262,778	2,457,643
Capital lease, noncurrent		30,120
TOTAL NONCURRENT LIABILITIES	<u>2,307,651</u>	<u>2,518,511</u>
TOTAL LIABILITIES	<u>3,154,222</u>	<u>5,885,061</u>
NET POSITION		
Net investment in capital assets	29,180,264	26,547,585
Unrestricted	4,472,719	6,079,600
TOTAL NET POSITION	<u>\$ 33,652,983</u>	<u>\$ 32,627,185</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water sales	\$ 3,688,008	\$ 4,564,765
Hydroelectric power sales	555,003	137,230
Recreation fees	12,063	6,380
TOTAL OPERATING REVENUES	<u>4,255,074</u>	<u>4,708,375</u>
OPERATING EXPENSES		
Source of supply	603,608	415,616
Transmission and distribution	1,443,164	920,362
Environmental resources	7,740	11,404
Hydroelectric	89,946	43,918
General and administrative	1,022,331	1,144,867
Maintenance - general plant	327,193	343,846
Water studies	309,797	367,530
Yolo Subbasin Groundwater Agency	26,688	203,791
FloodSAFE Yolo expenses	176,501	
Madison-Esparto Regional County Service Area (MERCSA)	132,882	19,855
Depreciation	1,008,781	983,871
Property taxes	222,975	210,597
TOTAL OPERATING EXPENSES	<u>5,371,606</u>	<u>4,665,657</u>
OPERATING INCOME (LOSS)	(1,116,532)	42,718
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,375,975	1,337,463
Federal and state grants	704,623	146,061
Shared service revenue	140,150	31,522
Interest income	109,185	147,062
FloodSAFE Yolo revenue	88,251	
Yolo Subbasin Groundwater Agency reimbursements	77,752	100,916
Gain (loss) on disposal of capital assets	(291,303)	(1,397)
Groundwater Sustainability Grant expenses	(331,281)	
Interest expense	(71,394)	(77,361)
Integrated Regional Water Management Plan expenses	(17,600)	(16,702)
Other non-operating revenue	122,537	26,450
Other non-operating expense	(236,235)	(32,634)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,670,660</u>	<u>1,661,380</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	554,128	1,704,098
Capital contributions	471,670	2,195,559
CHANGE IN NET POSITION	1,025,798	3,899,657
Net position at beginning of year	<u>32,627,185</u>	<u>28,727,528</u>
NET POSITION AT END OF YEAR	<u>\$ 33,652,983</u>	<u>\$ 32,627,185</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,679,090	\$ 4,628,883
Cash paid to suppliers	(9,373,771)	(5,868,913)
Cash paid to employees	<u>2,773,940</u>	<u>2,280,474</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(2,920,741)	1,040,444
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,375,975	1,469,607
Federal and state grants	640,203	158,176
FloodSAFE Yolo revenue	14,118	
Yolo Subbasin Groundwater Agency reimbursements	130,741	117,818
Shared service revenue	49,596	22,644
Groundwater Sustainability Grant	(331,281)	
Integrated Regional Water Management Plan	(17,600)	(16,702)
Other non-operating revenue	122,537	26,450
Other non-operating expense	<u>(236,235)</u>	<u>(32,634)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,748,054	1,745,359
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,723,204)	(1,776,678)
Proceeds from the sale of capital assets	9,349	30,008
Contributed capital	1,959,971	605,114
Principal paid on debt	(218,908)	(212,995)
Interest paid on debt	<u>(73,420)</u>	<u>(79,332)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,046,212)	(1,433,883)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	<u>109,185</u>	<u>147,062</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	109,185	147,062
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,109,714)	1,498,982
Cash and cash equivalents at beginning of year	<u>6,925,902</u>	<u>5,426,920</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,816,188</u>	<u>\$ 6,925,902</u>

(Continued)

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,116,532)	\$ 42,718
Adjustments to reconcile operating income to net cash (used) provided by operating activities:		
Depreciation	1,008,781	983,871
Construction in progress written off		
Decrease (increase) in:		
Receivables	(287,047)	37,416
Prepaid expenses	(6,567)	12,663
Inventory	31,855	809
Increase (decrease) in:		
Accounts payable	(2,325,213)	58,312
Salaries and benefits payable	31,721	11,106
Deposits payable	(7,500)	
Unearned revenue	(281,437)	(116,908)
Compensated absences	31,198	10,457
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (2,920,741)</u>	<u>\$ 1,040,444</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Capital asset purchases payable		\$ 2,178,880

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, 2020 and 2019

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 and 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 the Yocha Dehe Wintun Nation. The Agency was established to be the Groundwater Sustainability Agency for the Yolo 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. Complete audited financial statements can be obtained at the Agency's website: <https://yologroundwater.org>.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

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 (IRWM) 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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

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

revenues and expenses consist of those revenues and expenses that result from the ongoing principal 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 and money market account and the investment in the State of California Local Agency Investment Fund (LAIF), and 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, including amounts held in LAIF and in the County pool, to be cash and cash equivalents.

Receivables: Receivables consist mainly of amounts due, including retention receivable, from DWR for two grants and amounts due from customers for water service charges. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At April 30, 2020 and 2019, this allowance was estimated at \$2,366 and \$6,433, 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, 2020 and 2019

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 balance as of April 30, 2020 also includes grant advances not earned by incurring qualifying expenses as of year-end.

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 the District. Sick leave is not payable at separation and is not accrued by the District. The liability for 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 and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period that will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent 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, 2020 and 2019, the District did not have any deferred outflows or inflows of resources.

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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

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

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, proceeds 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 expenses are recorded as unearned revenue. The District's State Proposition 84 and California Governor's Office of Emergency Services (CalOES) grant revenues and certain Federal Emergency Management Agency reimbursements 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.

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 June 15, 2021.

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 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, 2019.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

The District is currently analyzing the effect of these new Statements.

NOTE B – CASH AND CASH INVESTMENTS

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

	2020	2019
Cash:		
Cash on hand	\$ 350	\$ 350
Bank deposits	2,043,556	3,230,001
Total cash	2,043,906	3,230,351
Investments:		
Yolo County investment pool	608,231	580,472
Local Agency Investment Fund	1,164,051	3,115,079
Total investments	1,772,282	3,695,551
Total cash and cash equivalents	\$ 3,816,188	\$ 6,925,902

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:

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio	Minimum Credit Quality	Maximum Investment in One Issuer
Local agency bonds	2 years	None	None	None
U.S. Treasury obligations	2 years	None	None	None
State obligations - CA and others	2 years	None	None	None
California local agency obligations	2 years	None	None	None
U.S. agency obligations	2 years	None	None	None
Bankers acceptances	180 days	40%	None	30%
Certificates of deposit	2 years	30%	None	\$1,000,000/10%
Mutual funds/money market mutual funds	N/A	20%	AAA	10%
Local Agency Investment Fund (LAIF)	N/A	None	None	None
County pooled investment funds	N/A	None	None	None

* Maximum maturity is two years without Board approval. Maximum maturity is 5 years under California Government Code.

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	Interest Rates	2020		Weighted Average Maturity (Days) March 31, 2020
		Maturities		
		12 Months Or Less	13 to 24 Months	
Yolo County investment pool	Variable		\$ 608,231	836
Local Agency Investment Fund (LAIF)	Variable	\$ 1,164,051		208
Total Investments		\$ 1,164,051	\$ 608,231	
Investment Type	Interest Rates	2019		Weighted Average Maturity (Days) March 31, 2019
		Maturities		
		12 Months Or Less	13 to 24 Months	
Yolo County investment pool	Variable		\$ 580,472	865
Local Agency Investment Fund (LAIF)	Variable	\$ 3,115,079		179
Total Investments		\$ 3,115,079	\$ 580,472	

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.

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

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 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, 2020 and 2019, the carrying amounts of the District's deposits were \$2,043,556 and \$3,230,001 and the balances in the financial institutions were \$2,062,414 and \$3,239,703, respectively. Of the balances in financial institutions, \$250,000 at April 30, 2020 and 2019 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 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. Of the amount invested in LAIF, 2.94% and 2.01% was invested in structured notes and asset-backed securities at April 30, 2020 and 2019, respectively. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

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. The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis. 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 Department of Financial Services' office at 625 Court Street, Room 102, Woodland, CA 95695.

NOTE C – CAPITAL ASSETS

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

	Balance May 1, 2019	Additions	Retirements	Transfers	Balance April 30, 2020
Capital assets not being depreciated:					
Land and land rights	\$ 2,765,137				\$ 2,765,137
Construction in progress	3,475,797	\$ 3,574,867	\$ (216,436)	\$(6,604,095)	230,133
Total capital assets, not being depreciated	<u>6,240,934</u>	<u>3,574,867</u>	<u>(216,436)</u>	<u>(6,604,095)</u>	<u>2,995,270</u>
Capital assets being depreciated:					
Source of supply	20,528,784		(18,576)	2,588,866	23,099,074
Transmission and distribution plant	16,872,144	25,271	(592,403)	4,009,334	20,314,346
General plant	4,977,796	123,066	(255,643)	5,895	4,851,114
Total capital assets, being depreciated	<u>42,378,724</u>	<u>148,337</u>	<u>(866,622)</u>	<u>6,604,095</u>	<u>48,264,534</u>
Less accumulated depreciation for:					
Source of supply	(9,730,793)	(363,198)	18,514		(10,075,477)
Transmission and distribution plant	(5,826,137)	(494,172)	519,501		(5,800,808)
General plant	(3,808,472)	(151,411)	244,391		(3,715,492)
Total accumulated depreciation	<u>(19,365,402)</u>	<u>(1,008,781)</u>	<u>782,406</u>		<u>(19,591,777)</u>
Total capital assets, being depreciated, net	<u>23,013,322</u>	<u>(860,444)</u>	<u>(84,216)</u>	<u>6,604,095</u>	<u>28,672,757</u>
Total capital assets, net	<u>\$ 29,254,256</u>	<u>\$ 2,714,423</u>	<u>\$ (300,652)</u>	<u>\$ -</u>	<u>\$ 31,668,027</u>

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE C – CAPITAL ASSETS (Continued)

	Balance May 1, 2018	Additions	Retirements	Transfers	Balance April 30, 2019
Capital assets not being depreciated:					
Land and land rights	\$ 2,765,137				\$ 2,765,137
Construction in progress	576,966	\$ 3,597,358	\$ (18,301)	\$ (680,226)	3,475,797
Total capital assets, not being depreciated	<u>3,342,103</u>	<u>3,597,358</u>	<u>(18,301)</u>	<u>(680,226)</u>	<u>6,240,934</u>
Capital assets being depreciated:					
Source of supply	20,398,219	22,345		108,220	20,528,784
Transmission and distribution plant	16,365,098			507,046	16,872,144
General plant	4,812,932	335,855	(235,951)	64,960	4,977,796
Total capital assets, being depreciated	<u>41,576,249</u>	<u>358,200</u>	<u>(235,951)</u>	<u>680,226</u>	<u>42,378,724</u>
Less accumulated depreciation for:					
Source of supply	(9,408,112)	(322,681)			(9,730,793)
Transmission and distribution plant	(5,348,543)	(477,594)			(5,826,137)
General plant	(3,847,723)	(183,596)	222,847		(3,808,472)
Total accumulated depreciation	<u>(18,604,378)</u>	<u>(983,871)</u>	<u>222,847</u>		<u>(19,365,402)</u>
Total capital assets, being depreciated, net	<u>22,971,871</u>	<u>(625,671)</u>	<u>(13,104)</u>	<u>680,226</u>	<u>23,013,322</u>
Total capital assets, net	<u>\$ 26,313,974</u>	<u>\$ 2,971,687</u>	<u>\$ (31,405)</u>	<u>\$ -</u>	<u>\$ 29,254,256</u>

Depreciation expense of \$1,008,781 and \$983,871 was charged to operations during the years ended April 30, 2020 and 2019, respectively.

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, 2019	Additions	Retirements	Balance April 30, 2020	Due Within One Year
Compensated absences	\$ 129,452	\$ 138,855	\$ (107,657)	\$ 160,650	\$ 115,777
Loan payable	2,647,385		(189,742)	2,457,643	194,865
Capital lease	59,286		(29,166)	30,120	30,120
Total	<u>\$ 2,836,123</u>	<u>\$ 138,855</u>	<u>\$ (326,565)</u>	<u>\$ 2,648,413</u>	<u>\$ 340,762</u>
	Balance May 1, 2018	Additions	Retirements	Balance April 30, 2019	Due Within One Year
Compensated absences	\$ 118,995	\$ 128,863	\$ (118,406)	\$ 129,452	\$ 98,704
Loan payable	2,832,138		(184,753)	2,647,385	189,742
Capital lease	87,528		(28,242)	59,286	29,166
Total	<u>\$ 3,038,661</u>	<u>\$ 128,863</u>	<u>\$ (331,401)</u>	<u>\$ 2,836,123</u>	<u>\$ 317,612</u>

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE D – LONG-TERM LIABILITIES (Continued)

Loan Payable – Private Placement: A State Water Resources Control Board (SWRCB) 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 a transmission and distribution plant and is secured by a lien on net revenues. A provision exists in the agreement requiring pledged revenues to 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. Upon default, a late penalty equal to costs incurred by the SWRCB may be charged, including lost earnings, staff time and other costs.

Capital Lease – Private Placement: In September 2016, the District entered into a lease-purchase agreement in the amount of \$144,782 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 \$24,734 and \$17,495 at April 30, 2020 and 2019, respectively. Payments not paid within 15 days of the contractual due date are subject to a penalty of 5% of the amount past due. Payments paid more than 45 days past the contractual due date are subject to interest of 1% per month on the past due amount up to the legal percentage limit.

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

Year Ending April 30	2020 Loan Payable			Year Ending April 30	2019 Loan Payable		
	Principal	Interest	Total		Principal	Interest	Total
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	211,079	50,142	261,221	2023	205,530	55,692	261,222
2025	216,778	44,443	261,221	2024	211,079	50,142	261,221
2026-2030	1,174,911	131,195	1,306,106	2025-2029	1,144,022	162,084	1,306,106
2031	254,354	6,868	261,222	2030-2031	502,021	20,422	522,443
	<u>\$ 2,457,643</u>	<u>\$ 415,791</u>	<u>\$ 2,873,434</u>		<u>\$ 2,647,385</u>	<u>\$ 487,270</u>	<u>\$ 3,134,655</u>

Year Ending April 30	2020 Capital Lease			Year Ending April 30	2019 Capital Lease		
	Principal	Interest	Total		Principal	Interest	Total
2021	\$ 30,120	\$ 986	\$ 31,106	2020	\$ 29,166	\$ 1,940	\$ 31,106
	<u>\$ 30,120</u>	<u>\$ 986</u>	<u>\$ 31,106</u>	2021	<u>30,120</u>	<u>987</u>	<u>31,107</u>
					<u>\$ 59,286</u>	<u>\$ 2,927</u>	<u>\$ 62,213</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 a 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 \$2,873,434 and \$3,134,655 at April 30, 2020 and 2019, respectively. Total principal and

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE D – LONG-TERM LIABILITIES (Continued)

interest paid on the cash basis was \$261,221 each year and total net revenues were \$2,034,579 and \$4,883,528 for the years ended April 30, 2020 and 2019, respectively, including non-operating revenues and expenses and capital contributions, but excluding depreciation. For the year ended April 30, 2020 and 2019, annual principal and interest payments on the loan were approximately 12% and 5% 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." Although not considered restricted, the District has designated the unspent MERCSA tax revenues received from the County plus interest of \$24,802 and \$173,874 at April 30, 2020 and 2019, respectively, for use on MERCSA related expenses until fully expensed.

NOTE F – DEFINED CONTRIBUTION RETIREMENT AND DEFERRED COMPENSATION PLANS

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.

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, 2020 and 2019, the District's fixed contributions to the Plan were \$123,294 and \$112,368, 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 \$19,500 and \$19,000 during the year ended April 30, 2020 and 2019, respectively, 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

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

April 30, 2020 and 2019

NOTE F – DEFINED CONTRIBUTION RETIREMENT AND DEFERRED COMPENSATION PLANS

made and are fully vested in the District’s discretionary matching contributions after three years of service. For the fiscal years ended April 30, 2020 and 2019, the District contributed \$43,910 and \$40,370 to the Plan, respectively.

NOTE G – CONTINGENCIES

Legal Contingencies: The District is subject to unasserted claims that arise in the normal course of business. The District’s management and legal counsel believe such claims, if any, would not have a material adverse impact on the financial position of the District.

Grants: 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.

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, cyber liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District’s deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability (Includes Public Officials Liability)	\$ 5,000,000	\$ 50,000,000	None
Cyber liability		3,000,000	\$ 25,000
Property Damage	100,000	500,000,000	500 - 50,000
Crime	100,000	1,000,000	1,000
Workers Compensation Liability:			
Workers Compensation	2,000,000	Statutory	None
Employers Liability	2,000,000	2,000,000	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 in any of the past three fiscal years. In the year ended April 30, 2020, the commercial insurance coverage for general, auto and public official’s liability decreased from \$55 million to \$50 million. Besides this change, there have been no reductions in insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

YOLO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

SUPPLEMENTARY INFORMATION

STATEMENTS OF FIDUCIARY NET POSITION - RETIREMENT PLAN

April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Contributions receivable - employer	\$ 6,152	\$ 4,183
Investments:		
Target date funds	2,471,245	2,359,583
Stock mutual funds	407,040	381,889
Stable value	169,549	127,193
Fixed income	120,367	194,540
Bond funds	106,271	104,697
International stock funds	83,522	78,541
Real estate fund	11,832	11,309
	<u>Total Investments</u>	<u>3,257,752</u>
	<u>TOTAL ASSETS</u>	<u>3,261,935</u>
TOTAL NET POSITION RESTRICTED		
	<u>FOR RETIREMENT BENEFITS</u>	<u>\$ 3,261,935</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - RETIREMENT PLAN

For the Years Ended April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ADDITIONS		
Contributions - employer	\$ 169,173	\$ 152,738
Interest	4,939	7,117
(Decrease) increase in investments	(40,700)	129,097
	<u>TOTAL ADDITIONS</u>	<u>288,952</u>
DEDUCTIONS		
Transfers	18,217	
Administrative expenses	1,152	48
	<u>TOTAL DEDUCTIONS</u>	<u>48</u>
	NET INCREASE (DECREASE) IN NET POSITION	288,904
Net position restricted for retirement benefits - beginning of year, as previously reported	3,261,935	2,952,376
Restatement		<u>20,655</u>
Net position restricted for retirement benefits - beginning of year, as restated	<u>3,261,935</u>	<u>2,973,031</u>
	<u>NET POSITION RESTRICTED FOR</u>	
	<u>RETIREMENT BENEFITS - END OF YEAR</u>	<u>\$ 3,261,935</u>

Number of Participants in Retirement Plan:

Active	23	20
Retiree	7	10

Note: The restatement above represents the April 30, 2018 balance of assets Valic transferred to separate loan collateral and escrow funds and omitted from investment statements for Plan 61002. The amounts were reported as part of benefit payments in 2018.

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 Yolo County Flood Control and Water Conservation District, (the District), as of and for the year ended April 30, 2020, 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 31, 2020.

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 31, 2020