

**RECLAMATION DISTRICT NO. 108,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

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RECLAMATION DISTRICT NO. 108
Annual Financial Report
For the Year Ended December 31, 2015

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INTRODUCTORY SECTION

- **List of Officials**

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RECLAMATION DISTRICT NO. 108
Board of Trustees
For the Year Ended December 31, 2015

<u>Member</u>	<u>Residence</u>	<u>Office</u>
Frederick J. Durst	Woodland	President
Roger Cornwell	Knights Landing	Trustee
Jon Leonard	Princeton	Trustee
Sean Doherty	College City	Trustee
Vacant		

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reclamation District No. 108
Grimes, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Reclamation District No. 108 , Grimes, California (District) as of and for the year ended December 31, 2015, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions.

To the Board of Trustees
Reclamation District No. 108
Grimes, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, in 2015, the District implemented Governmental Accounting Standards Board (GASB) Statements No. 68 and 71. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section 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.

Report on Summarized Comparative Information

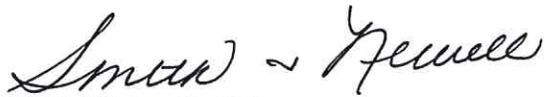
The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2014, from which such partial information was derived.

We have previously audited the District's December 31, 2014 financial statements and our report, dated July 13, 2015, expressed an unqualified opinion on the financial statements of the governmental activities, the business-type activities and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Trustees
Reclamation District No. 108
Grimes, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2016 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, 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.



Smith & Newell, CPAs
Yuba City, California
August 12, 2016

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**Management's Discussion and Analysis
(Unaudited)**

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RECLAMATION DISTRICT NO. 108

Management Discussion and Analysis

December 31, 2015

Management's Discussion and Analysis

This section of Reclamation District No. 108's (District) Annual Financial Report presents a discussion of the District's financial performance during the year ended December 31, 2015. Please read it in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$63,311,477 (net position). Of that total \$61,069,133 was in governmental activities and \$2,242,344 was in business-type activities. Of the total amount, \$20,887,033 (unrestricted net position) may be used to fund programs and activities of the District and \$42,424,444 is net investment in capital assets.
- The District's total net position increased by \$9,059,526. The governmental activities net position increased by \$8,712,303 and the business-type activities net position increased by 347,223.
- As of December 31, 2015, the District's maintenance fund reported an ending fund balance of \$17,922,213, an increase of \$9,024,689 compared to the prior year. Amounts available for spending include committed and unassigned fund balance totaling \$17,667,807. The District's Irrigation fund reported an ending net position of \$2,242,344, an increase of 347,223 compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Basic Financial Statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference 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 Activities presents information showing how net position changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, (e.g. earned but unused annual vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government maintenance activities. The business-type activities of the District include the irrigation fund.

The government-wide financial statements can be found on pages 13-14 of this report.

RECLAMATION DISTRICT NO. 108

Management Discussion and Analysis

December 31, 2015

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the Maintenance Fund which is considered to be a major fund.

The governmental funds financial statements can be found on pages 15-18 of this report.

Proprietary funds are generally used to account for services for which the District charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses proprietary funds to account for the Irrigation Fund.

The proprietary funds financial statements can be found on pages 19-21 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 22-39 of this report.

Required Supplementary Information consists of the District's Maintenance Fund budgetary comparison schedule to demonstrate compliance with the District's adopted budget.

The required supplementary information can be found on pages 40-42 of this report.

RECLAMATION DISTRICT NO. 108
Management Discussion and Analysis
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position of the District as a whole.

	Net Position					
	December 31					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 28,046,758	\$ 13,553,855	\$ 2,337,666	\$ 2,023,735	\$ 30,384,424	\$ 15,577,590
Capital assets	42,424,444	44,364,767	-	-	42,424,444	44,364,767
Total assets	<u>70,471,202</u>	<u>57,918,622</u>	<u>2,337,666</u>	<u>2,023,735</u>	<u>72,808,868</u>	<u>59,942,357</u>
Liabilities:						
Current and other liabilities	9,351,970	4,189,127	95,322	128,614	9,447,292	4,317,741
Long-term liabilities	50,099	1,372,665	-	-	50,099	1,372,665
Total liabilities	<u>9,402,069</u>	<u>5,561,792</u>	<u>95,322</u>	<u>128,614</u>	<u>9,497,391</u>	<u>5,690,406</u>
Net Position:						
Net investment in capital assets	42,424,444	43,030,889	-	-	42,424,444	43,030,889
Unrestricted	18,644,689	9,325,941	2,242,344	1,895,121	20,887,033	11,221,062
Total net position	<u>\$ 61,069,133</u>	<u>\$ 52,356,830</u>	<u>\$ 2,242,344</u>	<u>\$ 1,895,121</u>	<u>\$ 63,311,477</u>	<u>\$ 54,251,951</u>

Governmental Activities

Of the District's governmental activities net position, 30.5% is unrestricted net position that may be used to fund District programs and 69.5% reflects its net investment in capital assets (e.g. land, buildings, equipment and construction in progress), less any related debt that is still outstanding used to acquire those assets.

The District's governmental activities net position as of December 31, 2015 was comprised of the following:

- Cash and investments comprised \$25,410,014 or 36.057% of total assets. Substantially all of these amounts were held in short to medium term investments in governmental securities, corporate bonds and municipal bonds, as detailed in Note 3 to the financial statements.
- Restricted Cash and Investments comprised \$3,498 or .005% of total assets as detailed in Note 1F of the financial statements.
- Current accounts and interest receivable, amounts due from other governments, retention, and amounts due from other funds comprised \$2,174,142 or 3.085% of total assets.
- Capital assets comprised \$42,424,444 or 60.201% of total assets. Capital assets are reported net of depreciation expense and include District land, buildings and improvements, equipment, and related construction in progress.
- The remaining \$459,104 or .652% of total assets is comprised of prepaid costs, prepaid power, inventory and investment in JPA.
- Current liabilities, including accounts and retention payable, payroll liabilities and unearned revenues, comprised \$9,351,970 or 99.47% of total liabilities.
- Long-term liabilities which consist of compensated absences comprised \$50,099 or .53% of total liabilities.

RECLAMATION DISTRICT NO. 108
Management Discussion and Analysis
December 31, 2015

Business-Type Activities

The District's business-type activities net position is all reported as unrestricted net position that may be used to fund District programs.

The District's business-type activities net position as of December 31, 2015 was comprised of the following:

- Cash and investments comprised \$2,140,226 or 91.55% of total assets. Substantially all of these amounts were held in short to medium term investments in governmental securities, corporate bonds and municipal bonds, as detailed in Note 3 to the financial statements.
- Current accounts and interest receivable, internal balances and prepaid power comprised \$197,440 or 8.45% of total assets.
- Liabilities were comprised of accounts payable and unearned revenues.

The following table shows the revenues, expenses and changes in net position for governmental and business-type activities:

Changes in Net Position						
For the Year Ended December 31						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for services	\$ 32,230,981	\$ 17,047,685	\$ 2,730,835	\$ 4,641,201	\$ 34,961,816	\$ 21,688,886
Operating grants and contributions	2,338,075	1,055,880	-	-	2,338,075	1,055,880
Capital grants and contributions	608,574	603,333	-	-	608,574	603,333
Total program revenues	<u>35,177,630</u>	<u>18,706,898</u>	<u>2,730,835</u>	<u>4,641,201</u>	<u>37,908,465</u>	<u>23,348,099</u>
General Revenues:						
Interest and investment earnings	93,611	34,670	10,272	4,964	103,883	39,634
Miscellaneous	63,038	102,849	-	25,573	63,038	128,422
Total general revenues	<u>156,649</u>	<u>137,519</u>	<u>10,272</u>	<u>30,537</u>	<u>166,921</u>	<u>168,056</u>
Total revenues	<u>35,334,279</u>	<u>18,844,417</u>	<u>2,741,107</u>	<u>4,671,738</u>	<u>38,075,386</u>	<u>23,516,155</u>
Expenses:						
General government	26,043,038	15,538,360	-	-	26,043,038	15,538,360
Interest on long-term debt	27,940	44,929	-	-	27,940	44,929
Irrigation	-	-	2,393,884	3,051,800	2,393,884	3,051,800
Total expenses	<u>26,070,978</u>	<u>15,583,289</u>	<u>2,393,884</u>	<u>3,051,800</u>	<u>28,464,862</u>	<u>18,635,089</u>
Change in net position	<u>9,263,301</u>	<u>3,261,128</u>	<u>347,223</u>	<u>1,619,938</u>	<u>9,610,524</u>	<u>4,881,066</u>
Net position - beginning	52,356,830	49,095,702	1,895,121	275,183	54,251,951	49,370,885
Prior period adjustment	(550,998)	-	-	-	(550,998)	-
Net position - begin restated	<u>51,805,832</u>	<u>49,095,702</u>	<u>1,895,121</u>	<u>275,183</u>	<u>53,700,953</u>	<u>49,370,885</u>
Net position - ending	<u>\$ 61,069,133</u>	<u>\$ 52,356,830</u>	<u>\$ 2,242,344</u>	<u>\$ 1,895,121</u>	<u>\$ 63,311,477</u>	<u>\$ 54,251,951</u>

Governmental Activities

Governmental activities net position increased by \$9,263,301 during the fiscal year.

As shown above, \$35,177,630 or 99.6% of the District's governmental activities revenue derived from the program revenues, while \$156,649 or .4% derived from general revenues.

RECLAMATION DISTRICT NO. 108

Management Discussion and Analysis

December 31, 2015

Program revenues are comprised of fees and charges for service of \$32,230,981 that include irrigation system rental, Tract 6 leases, mineral lease, solar income, and charges used to fund expenses incurred in providing services; operating grants and contributions of \$2,338,075 that include Mid Sacramento Flood Mgmt. Plan, and Mid Sacramento Emergency Plan; and \$608,574 of capital grants and contributions that include Prop 50, Groundwater Bank, SBX7, and Knights Landing Outfall Gates.

General revenues are not allocable to programs, but are used to pay for the net costs of governmental programs.

Business-type Activities

Business-type activities net position increased by \$347,223 during the fiscal year.

As shown above \$2,730,835 or 99.7% of the District's business-type activities revenue derived from program revenues, while \$10,272 or .3% derived from general revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the Maintenance Fund. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance (committed and unassigned) may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table presents the amount of revenue from various sources:

	2015	2014	Variance	% Change
Revenues Classified by Source				
Governmental Funds				
For the Fiscal Years Ended December 31				
Revenues by Source:				
Irrigation system rental	\$ 1,566,099	\$ 1,491,523	\$ 74,576	5.00%
Tract 6 leases	3,766,654	3,642,813	123,841	3.40%
Mineral lease	174	362	(188)	-51.93%
Solar income	149,129	456,812	(307,683)	100.00%
Use of money	93,611	34,670	58,941	170.01%
Intergovernmental revenue	2,655,701	1,575,770	1,079,931	68.53%
Charges for services	26,748,925	11,456,175	15,292,750	133.49%
Other revenues	65,353	102,849	(37,496)	-36.46%
Total Revenues	\$ 35,045,646	\$ 18,760,974	\$ 16,284,672	86.80%

The \$16,284,672 net increase in governmental fund revenues during the fiscal year can be primarily attributed to the following:

- Charges for service revenues increased \$15,292,750, mostly due to water transfer. \$16,717,834 was distributed to landowners for crop idling.
- Intergovernmental revenues increased \$1,079,931 due to revenues for projects.

RECLAMATION DISTRICT NO. 108

Management Discussion and Analysis

December 31, 2015

- Solar Income decreased \$307,683 mostly due to ending of PGE solar incentive program.

The following table presents expenditures by function:

**Expenditures
Governmental Funds
For the Fiscal Years Ended December 31**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>% Change</u>
Expenditures:				
Water supply	\$ 147,542	\$ 118,895	\$ 28,647	24.09%
Wages and benefits	1,700,221	1,761,370	(61,149)	-3.47%
Consulting services	151,706	129,217	22,489	17.40%
Administration and supplies	348,461	348,559	(98)	-0.03%
Maintenance	820,572	874,634	(54,062)	-6.18%
Tract 6 farms	260,366	252,850	7,516	2.97%
Miscellaneous	33,188	25,198	7,990	31.71%
Projects (less capital outlay)	20,878,231	10,344,363	10,533,868	100.00%
Debt service - principal	1,333,878	372,128	961,750	258.45%
Debt service - interest	42,362	49,256	(6,894)	-14.00%
Capital outlay	304,430	1,679,801	(1,375,371)	-81.88%
Total Expenditures	\$ 26,020,957	\$ 15,956,271	\$ 10,064,686	63.08%

The \$10,064,686 net increase in governmental fund expenditures during the fiscal year can be primarily attributed to the following:

- Projects (less capital outlay) increase of \$10,533,868 due to water transfer. \$627,501 went to Irrigation Fund for loss of income and \$16,717,834 was distributed to landowners for crop idling

The Maintenance Fund is the main operating fund of the District and accounts for general operations and administration. At December 31, 2015, committed and unassigned fund balance of the Maintenance Fund was \$17,667,807, non-spendable was \$254,406 and total fund balance was \$17,922,213.

As a measure of the Maintenance Fund's ability to meet operating expenditures, it is useful to note that committed and unassigned fund balance represents 67.8% of total Maintenance Fund expenditures, while total fund balance represents 68.8% of the same amount.

Enterprise Funds. The District has one Enterprise fund – the Irrigation Fund. The District's enterprise fund generally accounts for services charged to external or internal customers through fees.

The following table presents the amount of revenue from various sources:

**Revenues Classified by Source
Proprietary Funds
For the Fiscal Years Ended December 31**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>% Change</u>
Revenues by Source:				
Water sales	\$ 2,730,835	\$ 4,641,201	\$ (1,910,366)	-41.16%
Dividend and interest income	10,272	4,964	5,308	106.93%
Miscellaneous revenues	-	25,573	(25,573)	-100.00%
Total Revenues	\$ 2,741,107	\$ 4,671,738	\$ (1,930,631)	-41.33%

RECLAMATION DISTRICT NO. 108
Management Discussion and Analysis
December 31, 2015

The following table presents expenses for the District's Enterprise funds:

Expenses by Type
Proprietary Funds
For the Fiscal Years Ended December 31

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>% Change</u>
Expenses by Type:				
Operating expenses:				
Water costs	\$ 44,257	\$ 414,043	\$ (369,786)	-89.31%
Water conservation expenses	13,264	35,296	(22,032)	-62.42%
Power	770,244	1,110,758	(340,514)	-30.66%
System rental	1,566,099	1,491,523	74,576	5.00%
Office supplies	20	180	(160)	100.00%
Total Expenses	<u>\$ 2,393,884</u>	<u>\$ 3,051,800</u>	<u>\$ (657,916)</u>	<u>-21.56%</u>

The \$657,916 net decrease in enterprise fund expenses during the fiscal year can be primarily attributed to a decrease in water costs, and power. The reduced water costs were an accommodation by the Bureau of Reclamation in consideration of the efforts the Contractors made to modify diversion schedules and reduce overall diversion quantities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2015 totaled \$42,424,444 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements and equipment. The District did not have any capital assets in the business-type activities at December 31, 2015.

Capital Assets at End of Fiscal Year

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Land	\$ 547,601	\$ 547,601
Construction in progress	18,864	550,998
Vehicles	752,927	718,465
Machinery and equipment	2,337,223	2,098,255
Office equipment	64,245	63,680
Buildings and improvements	56,389,866	57,058,970
Accumulated depreciation	(17,686,282)	(16,673,202)
Total	<u>\$ 42,424,444</u>	<u>\$ 44,364,767</u>

Construction in progress decreased from 2014 to 2015 due to various projects that were completed or near completion including the groundwater wells project, El Dorado pump plant maintenance project and SBX7 measurement.

Detailed information about the District's capital assets is presented in Note 4 to the financial statements.

RECLAMATION DISTRICT NO. 108

Management Discussion and Analysis

December 31, 2015

Debt Administration

At December 31, 2015, the District had total debt outstanding of \$50,099.

Long-Term Debt

	Governmental Activities	
	2015	2014
Compensated absences	\$ 50,099	\$ 38,787
Loans	-	1,085,500
Capital leases	-	248,378
Total	\$ 50,099	\$ 1,372,665

The District's total debt for its governmental activities decreased by \$1,322,566, primarily as a result of debt payoffs for the excavator and the solar photovoltaic system.

Additional information on the District's long-term debt is presented in Note 7 to the financial statements.

MAINTENANCE FUND BUDGETARY HIGHLIGHTS

The District's budget is customarily presented to and adopted by the Board of Trustees prior to the beginning of the fiscal year that begins January 1 and ends on December 31. The Board of Trustees approved the budget in February 2015. Subsequent to the adoption of the annual budget, the budget was reviewed and necessary budget adjustments were approved by the Board of Trustees.

The Maintenance Fund budget approved in February 2015 for fiscal year 2015 estimated \$7,844,412 in revenue sources and allocated \$9,995,756 in appropriations. During the fiscal year equipment/vehicle maintenance/repair, contract renewal, miscellaneous fees, shop tools & supplies, legal, public relations, insurance, contract maintenance, power, tract 6, miscellaneous operating, capital outlay, water transfers, ground water bank, Knights Landing fish barrier, sites, and supplemental ground wells expenditures were amended. Actual collections of revenues for the fiscal year amounted to \$35,045,646 and actual expenditures incurred amounted to \$26,020,957.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Major accomplishments in 2015:

- The 2009 State legislation and subsequent DWR rulemaking required the District to measure at each farm turnout and bill at least in part by the volume of water delivered. The District completed a Pilot Study on water measurement at the turnout during 2012 water year. The District utilized this information to prepare and submit a Plan to achieve turnout measurement compliance in three years as required by DWR. In 2012 the District passed a Prop 218 election where the landowners agreed to assess themselves to install water measurement devices at each field water delivery point. The majority of these devices were installed in 2013 with full completion in 2014. Approx. 50% of the District turnouts accumulated data in 2014 to assist in the development of the data quality control program and facilitate how the information is shared with landowners. In 2015, the entire District was measured and the data was used to verify performance of the system. Now confident with the system performance, the District Landowners approved a Prop 218 election setting new rates for the 2016 Irrigation Season complying with the State's measurement and billing requirements.

RECLAMATION DISTRICT NO. 108

Management Discussion and Analysis

December 31, 2015

- The District's water supply contract with the US Bureau of Reclamation is being challenged at the U.S. Ninth Circuit. The oral arguments were held May 9, 2011 and a decision was reached late in 2012. The Court ruled in favor of the Settlement Contractors, however, NRDC was granted a En-Banc rehearing of the case. Oral arguments were heard in June of 2013 and the earlier decision was reversed in favor of NRDC. In 2014, the District appealed the case to the Supreme Court, but the court did not accept the case. It has now been remanded to the federal court in Fresno for remedy proceeding in alignment with the 9th circuit decision. During 2015, US Fish and Wildlife Service re-consulted with USBR on the contracts to comply with the 9th Circuit's decision.
- In 2015, RD 108 looked to engage proactively to assist with the recovery of Salmon. RD108 committed \$400,000 of their own funding to plan and permit the construction of the Knights Landing Outfall Gates. The project would prevent the straying of adult salmon migrating up the Sacramento River to spawn near Redding. RD108's effort was matched by construction funding of \$2.1 Million dollars from USBR, Cal Fish and Wildlife Service and the Department of Water Resources Flood Maintenance Division. The Project was permitted and completed during 2015 and now helps protect adult spawning salmon.

Items of Interest for 2016:

- The District is very actively supporting Northern California Water Agency in a comprehensive set of actions related to the Bay Delta. The State Water Resources Control Board is currently undertaking an update of their Bay Delta Water Quality Plan which could require additional water supply for Delta environmental needs. One of these actions includes the Sacramento Valley Salmon Recovery Program. Building on the success of the Knights Landing Outfall Gates RD108 has accepted the lead to construct the Wallace Weir Fish Rescue Facility. The Project will recover adult salmon that stray into the Yolo Bypass and move them back to the Sacramento River where they can continue to their spawning grounds. If not for this new facility, most of these fish would not complete the journey to their spawning grounds. This project is being funded by the State Water Contractors through a grant by the Department of Water Resources to RD108.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Reclamation District No. 108, P.O. Box 50, Grimes, CA 95950 and telephone (530) 437-2221.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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RECLAMATION DISTRICT NO. 108
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 25,410,014	\$ 2,140,226	\$ 27,550,240
Restricted cash and investments	3,498	-	3,498
Receivables:			
Accounts, net	428,342	111,163	539,505
Interest	20,574	963	21,537
Intergovernmental	1,507,888	-	1,507,888
Retention	208,005	-	208,005
Internal balances	9,333	(9,333)	-
Prepaid costs	73,851	-	73,851
Prepaid power	22,829	94,647	117,476
Investment in JPA	204,698	-	204,698
Inventory	157,726	-	157,726
Capital assets:			
Non-depreciable	566,465	-	566,465
Depreciable, net	41,857,979	-	41,857,979
Total capital assets	42,424,444	-	42,424,444
Total Assets	70,471,202	2,337,666	72,808,868
LIABILITIES			
Accounts payable	9,166,656	46,575	9,213,231
Retention payable	167,551	-	167,551
Payroll liabilities	17,763	-	17,763
Unearned revenue	-	48,747	48,747
Long-term liabilities:			
Due within one year	50,099	-	50,099
Total Liabilities	9,402,069	95,322	9,497,391
NET POSITION			
Net investment in capital assets	42,424,444	-	42,424,444
Unrestricted	18,644,689	2,242,344	20,887,033
Total Net Position	\$ 61,069,133	\$ 2,242,344	\$ 63,311,477

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Statement of Activities
For the Year Ended December 31, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
General government	\$ 26,043,038	\$ 32,230,981	\$ 2,338,075	\$ 608,574
Interest on long-term debt	27,940	-	-	-
Total Governmental Activities	<u>26,070,978</u>	<u>32,230,981</u>	<u>2,338,075</u>	<u>608,574</u>
Business-type activities:				
Irrigation	2,393,884	2,730,835	-	-
Total Business-Type Activities	<u>2,393,884</u>	<u>2,730,835</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,464,862</u>	<u>\$ 34,961,816</u>	<u>\$ 2,338,075</u>	<u>\$ 608,574</u>

General revenues:

Interest and investment earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Prior period adjustment

Net Position - Beginning, Restated

Net Position - Ending

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business- Type Activities	Totals
\$ 9,134,592	\$ -	\$ 9,134,592
(27,940)	-	(27,940)
<u>9,106,652</u>	<u>-</u>	<u>9,106,652</u>
<u>-</u>	<u>336,951</u>	<u>336,951</u>
<u>-</u>	<u>336,951</u>	<u>336,951</u>
<u>9,106,652</u>	<u>336,951</u>	<u>9,443,603</u>
93,611	10,272	103,883
63,038	-	63,038
<u>156,649</u>	<u>10,272</u>	<u>166,921</u>
<u>9,263,301</u>	<u>347,223</u>	<u>9,610,524</u>
52,356,830	1,895,121	54,251,951
<u>(550,998)</u>	<u>-</u>	<u>(550,998)</u>
<u>51,805,832</u>	<u>1,895,121</u>	<u>53,700,953</u>
<u>\$ 61,069,133</u>	<u>\$ 2,242,344</u>	<u>\$ 63,311,477</u>

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Basic Financial Statements

- **Fund Financial Statements**

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RECLAMATION DISTRICT NO. 108
Balance Sheet
Governmental Fund - Maintenance Fund
December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
ASSETS		
Cash and investments	\$ 25,410,014	\$ 12,417,417
Restricted cash and investments	3,498	3,735
Receivables:		
Accounts, net	428,342	159,092
Interest	20,574	17,733
Intergovernmental	1,507,888	746,591
Retention	208,005	-
Due from other funds	9,333	3,342
Prepaid costs	73,851	40,585
Prepaid power	22,829	23,172
Investment in JPA	204,698	-
Inventory	157,726	177,076
	Total Assets	\$ 13,588,743
	\$ 28,046,758	\$ 13,588,743
LIABILITIES		
Accounts payable	\$ 9,166,656	\$ 4,051,516
Payroll liabilities	17,763	17,733
Retention payable	167,551	105,455
Due to other funds	-	34,888
	Total Liabilities	4,209,592
	9,351,970	4,209,592
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	772,575	481,627
	Total Deferred Inflows of Resources	481,627
	772,575	481,627
FUND BALANCE		
Nonspendable	254,406	240,833
Committed	1,507,486	1,618,971
Unassigned	16,160,321	7,037,720
	Total Fund Balance	8,897,524
	17,922,213	8,897,524
	Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 13,588,743
	\$ 28,046,758	\$ 13,588,743

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
Total Fund Balance - Total Governmental Funds	\$ 17,922,213	\$ 8,897,524
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	42,424,444	44,364,767
Other long term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	772,575	481,627
Interest payable on long-term debt does not require the use of current financial resources and therefore, is not accrued as a liability in the governmental funds balance sheet.	-	(14,423)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated absences	(50,099)	(38,787)
Loans	-	(1,085,500)
Capital leases	-	(248,378)
Net Position of Governmental Activities	\$ 61,069,133	\$ 52,356,830

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund - Maintenance Fund
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
REVENUES		
Irrigation system rental	\$ 1,566,099	\$ 1,491,523
Tract 6 leases	3,766,654	3,642,813
Mineral lease	174	362
Solar income	149,129	456,812
Use of money	93,611	34,670
Intergovernmental revenue	2,655,701	1,575,770
Charges for services:		
Sacramento River Westside Levee District services	222,477	207,529
Knights Landing Ridge Drainage District services	54,609	51,883
Water transfers	26,433,057	11,148,500
Other services	38,782	48,263
Other revenue	65,353	102,849
	Total Revenues	18,760,974
	35,045,646	18,760,974
EXPENDITURES		
Current general government:		
Water Supply	147,542	118,895
Wages and benefits	1,700,221	1,761,370
Consulting services	151,706	129,217
Administration and supplies	348,461	348,559
Maintenance	820,572	874,634
Tract 6 farms	260,366	252,850
Miscellaneous expense	33,188	25,198
Projects (less capital outlay)	20,878,231	10,344,363
Debt service:		
Principal	1,333,878	372,128
Interest	42,362	49,256
Capital outlay	304,430	1,679,801
	Total Expenditures	15,956,271
	26,020,957	15,956,271
	Excess of Revenues Over (Under) Expenditures	2,804,703
	9,024,689	2,804,703
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	294,956
	Total Other Financing Sources (Uses)	294,956
	-	294,956
	Net Change in Fund Balance	3,099,659
	9,024,689	3,099,659
Fund Balance - Beginning	8,897,524	5,797,865
Fund Balance - Ending	\$ 17,922,213	\$ 8,897,524

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
Net Change in Fund Balance - Total Governmental Funds	\$ 9,024,689	\$ 3,099,659
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital outlay	304,430	1,679,801
Less: current year depreciation	(1,691,440)	(1,682,139)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds from sales of capital assets.		
	(2,315)	-
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retirements	1,333,878	372,128
Issuance of debt	-	(294,956)
Some revenues reported in the statement of activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.		
Change in unavailable revenue	290,948	83,443
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences	(11,312)	(1,135)
Change in accrued interest on long-term debt	14,423	4,327
Change in Net Position of Governmental Activities	\$ 9,263,301	\$ 3,261,128

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Statement of Net Position
Proprietary Fund - Irrigation Fund
December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash and investments	\$ 2,140,226	\$ 1,854,058
Receivables:		
Accounts, net	111,163	39,512
Interest	963	24
Due from other funds	-	34,888
Prepaid power	94,647	98,595
Total Current Assets	2,346,999	2,027,077
Total Assets	2,346,999	2,027,077
LIABILITIES		
Current Liabilities:		
Accounts payable	46,575	98,490
Due to other funds	9,333	3,342
Unearned revenue	48,747	30,124
Total Current Liabilities	104,655	131,956
Total Liabilities	104,655	131,956
NET POSITION		
Unrestricted	2,242,344	1,895,121
Total Net Position	\$ 2,242,344	\$ 1,895,121

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Irrigation Fund
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
OPERATING REVENUES		
Water sales	\$ 2,730,835	\$ 4,641,201
Total Operating Revenues	2,730,835	4,641,201
OPERATING EXPENSES		
Water costs	44,257	414,043
Water conservation expenses	13,264	35,296
Power	770,244	1,110,758
System rental	1,566,099	1,491,523
Office supplies	20	180
Total Operating Expenses	2,393,884	3,051,800
Operating Income (Loss)	336,951	1,589,401
NON-OPERATING REVENUES (EXPENSES)		
Dividend and interest income	10,272	4,964
Miscellaneous revenue	-	25,573
Total Non-Operating Revenues (Expenses)	10,272	30,537
Change in Net Position	347,223	1,619,938
Total Net Position - Beginning	1,895,121	275,183
Total Net Position - Ending	\$ 2,242,344	\$ 1,895,121

The notes to the basic financial statements are an integral part of this statement.

RECLAMATION DISTRICT NO. 108
Statement of Cash Flows
Proprietary Fund - Irrigation Fund
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,677,807	\$ 4,618,872
Payments to suppliers	(2,441,851)	(2,988,544)
	235,956	1,630,328
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loans repaid	31,546	2,630
Interfund loans received	9,333	(34,888)
Miscellaneous revenue	-	25,573
	40,879	(6,685)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	9,333	4,966
	9,333	4,966
Net Cash Provided (Used) by Investing Activities	9,333	4,966
Net Increase (Decrease) in Cash and Cash Equivalents	286,168	1,628,609
Balances - Beginning	1,854,058	225,449
Balances - Ending	\$ 2,140,226	\$ 1,854,058
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 336,951	\$ 1,589,401
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(71,651)	(30,153)
Prepaid power	3,948	3,934
Increase (decrease) in:		
Accounts payable	(51,915)	59,322
Unearned revenue	18,623	7,824
	235,956	1,630,328
Net Cash Provided (Used) by Operating Activities	\$ 235,956	\$ 1,630,328

The notes to the basic financial statements are an integral part of this statement.

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Reclamation District No. 108 was organized October 4, 1870 by virtue of the State of California General Reclamation District Law of 1868.

The District owns and operates Wilkins Slough, North and South Steiner Bend, Emery Poundstone and El Dorado Bend Pumping Plants and Irrigation Systems, Riggs Ranch, Sycamore Slough, Lateral 8, Lateral 8 Check, and Rough & Ready Pumping Plant and Drainage Systems.

In 2015, the District operated approximately 419 miles of ditches to provide irrigation and drainage service as follows:

	Miles of Ditches
Wilkins Slough (including Riggs Ranch)	252
Steiner Bend - North and South	6
Emery Poundstone	79
El Dorado Bend (including Sycamore Slough)	82
	419

In addition to supplying irrigation water, the District has responsibility for drainage and for approximately 20 miles of back levee maintenance.

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 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.

Component Units

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

Joint Agencies

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, 95661-5700. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Agencies (Continued)

The District is a member of the Northern California Water Association, which operates in accordance with a Joint Exercise of Power agreement. The Association is a statewide non-profit organization that seeks to support and enhance existing surface and ground water rights, water supplies, and water quality in Northern California. The Association also exists to educate its members, government authorities and the public regarding all aspects of water use and water rights, as well as to provide a forum for the exchange of information between water purveyors. Complete audited financial statements can be obtained at the Associations office: 455 Capitol Mall, Suite 335, Sacramento, CA 95814. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The District is a member of the Power and Water Resources Pooling Authority, which operates in accordance with a Joint Exercise of Power Agreement. The Authority is a public agency comprised of irrigation districts, a water storage district, water districts, a county water agency and a reclamation district. The Authority has the power to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy-related projects and programs. The Authority's governing body is a fourteen member Board of Directors. Complete audited financial statements can be obtained by contacting the Agency at 3514 West Lehman Road, Tracy, CA 95304. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The District is a member of the Sites Project Authority, which operates in accordance with a Joint Exercise of Power Agreement. The Authority is a public agency comprised of Colusa County Water District, County of Colusa, County of Glenn, Glenn-Colusa Irrigation District, Maxwell Irrigation District, Orland-Artois Water District, Proberta Water District, Reclamation District No. 108, Tehama-Colusa Canal Authority, Westside Water District, Yolo County Flood Control and Water Conservation District, Dunnigan Water District, Davis Water District, Cortina Water District and LaGrance Water District. The mission of the Authority is to be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the State's water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta. The Authority's governing body is a Board of Directors comprised of one representative of each member. Complete audited financial statements can be obtained by contacting the Authority at 547 Market Street, Suite 102, Colusa, CA 95932. The District is not financially accountable for this organization and therefore it is not a component unity under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the combined activities of the District. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the District. Governmental activities, which are normally supported by inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the District's business-type activities and each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenses/expenditures. The funds of the District are organized into the governmental and proprietary categories. The emphasis is placed on major funds within the governmental and proprietary categories; each is displayed in a separate column.

The District reports the following major governmental fund:

- The Maintenance Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.

The District reports the following major proprietary fund:

- The Irrigation Fund is used to account for all revenues and expenses related to irrigation services provided by the District.

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest, certain state and federal grants and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses for enterprise funds 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.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Cash, Cash Equivalents, and Investments

Cash and investments consist of cash held in banks and various investments including Federal Home Loan Bank mortgage backed securities, corporate notes, and the State of California Local Agency Investment Fund (LAIF).

The District pools a portion of cash and investments with the County of Colusa. The Colusa County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in the pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of the investments.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Colusa's financial statements may be obtained by contacting the County of Colusa Auditor Controller's office at 546 Jay Street, Colusa, CA 95932.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and Investments (Continued)

For purposes of the accompanying statement of cash flows, the District considers all highly liquid investments, with a maturity of three months or less when purchased including restricted cash and investments and amounts held in the District investment pool to be cash equivalents.

F. Restricted Cash and Investments

Restricted assets in the governmental fund represents cash and investments of \$3,498, held in the Maintenance fund for use on the fish barrier project.

G. Receivables

Receivables for governmental activities consist mainly of amounts due from landowners for maintenance reimbursements, interest, intergovernmental, and retentions. Receivables in business-type activities consist mainly of amounts due from customers for services and interest earnings. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

H. Other Assets

Prepaid Costs

Payments made for services that will benefit periods beyond December 31, 2015, are recorded as prepaid costs. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid Power

The District records the net reserve in the Power and Water Resources Pooling Authority as prepaid power.

Investment in JPA

The District's net investment in the Sites Project Authority, a JPA, is recorded as investment in JPA. The net change, is shown as an income or expense item.

Inventory

Inventories are stated at average cost for governmental funds. Inventory recorded by governmental funds includes materials and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed rather than when purchased.

I. Capital Assets

Capital assets are defined by the District as an asset with a cost greater than \$5,000 and a useful life of more than two years. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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

<u>Depreciable Assets</u>	<u>Estimated Lives</u>
Equipment	2-20 years
Structures and Improvements	15-30 years

Maintenance and repairs are charged to operations when incurred. 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.

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K. Unearned Revenue

Under the accrual and modified 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.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences and Postemployment Benefits

It is the District's policy to permit employees to accumulate earned but unused annual vacation and sick leave benefits. Sick leave benefits do not vest with the employee and therefore no liability is reported for unpaid accumulated sick leave. However, sick leave earned and in excess of 30 days as of the end of each year is paid to the employee at one half the employee's rate. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature. In the proprietary funds the accrued compensated absences is recorded as an expense and related liability in the year earned. The District includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences. Only full-time employees are entitled to earn paid vacation. For the first through nine years, 10 days per year accrue; for year 10 and beyond, 15 days per year accrue.

The District does not currently provide postemployment benefits.

M. 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/expenditure) until then. At December 31, 2015, 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. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. 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.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Implementation of Governmental Accounting Standards Board Statements (GASB)

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of Statement No. 68.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the District reports these changes as restatements of beginning net position. During the current year an adjustment was made to correct construction in progress.

The impact of the restatement on the net position on the government-wide financial statements as previously reported is presented below:

	Governmental Activities
Net Position, December 31, 2014, as previously reported	\$ 52,356,830
Adjustment associated with:	
Correction of construction in progress	(550,998)
Total Adjustments	(550,998)
Net Position, January 1, 2015, as restated	<u>\$ 51,805,832</u>

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of December 31, 2015, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 75
Deposits (less outstanding checks)	<u>1,846,754</u>
Total Cash	<u>1,846,829</u>
Investments:	
Government securities	673,959
U.S. Treasuries	551,834
Corporate Bonds	50,139
Municipal Bonds	933,564
Local Agency Investment Fund (LAIF)	3,601,349
Colusa County Treasurer's Pool	<u>19,896,064</u>
Total Investments	<u>25,706,909</u>
Total Cash and Investments	<u>\$ 27,553,738</u>

B. Cash

At year end, the carrying amount of the District's cash deposits (including amount in checking accounts, savings accounts, and money market accounts) was \$1,846,754 and the bank balance was \$2,061,904. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$75.

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, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District's deposit are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

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 achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code 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:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund
- Mutual Funds
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies.

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 the 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 December 31, 2015, the District had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 years	1-5 years		
Government Agencies	1.00-5.375	\$ 259,550	\$ 414,409	\$ 673,959	1.71
U.S. Treasuries	0.125-2.625	-	551,834	551,834	2.34
Corporate Bonds	Variable	50,139	-	50,139	0.69
Municipal Bonds	Variable	101,388	832,176	933,564	3.32
Local Agency Investment Fund (LAIF)	Variable	3,601,349	-	3,601,349	-
Colusa County Treasury	Variable	19,896,064	-	19,896,064	-
Total Investments		<u>\$ 23,908,490</u>	<u>\$ 1,798,419</u>	<u>\$ 25,706,909</u>	<u>0.22</u>

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. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy and the actual rating as of year end for each investment type.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Moody's Rating	% of Portfolio
Federal National Mortgage Assoc.	N/A	AA+	Aaa	0.97%
Federal Home Loan Bank	N/A	AA+	Aaa	0.64%
Tennessee Valley	N/A	AA+	Aaa	1.01%
U.S. Treasuries	N/A	Unrated	Unrated	2.15%
Corporate Bonds	A	A+	A1	0.20%
Municipal Bonds	A	A	Unrated	0.29%
Municipal Bonds	A	AA-	Aa3	3.34%
LAIF	N/A	Unrated	Unrated	14.01%
Colusa County Treasury	N/A	Unrated	Unrated	77.39%
Total				<u>100.00%</u>

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. To mitigate the custodial credit risk the District requires that all of its managed investments be held in the name of the District. 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.

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.

D. Investment in External Investment Pools

Investment in Local Agency Investment Fund - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. 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. At December 31, 2015 the District's investment position in LAIF was \$3,601,349. The total amount invested by all public agencies in LAIF on that day was \$65,538,152,425. Of that amount, 98.24% is invested in non-derivative financial products and 1.76% in structured notes and asset-backed securities.

Investment in Colusa County Investment Pool - The Reclamation District No. 108 is a participant in the Colusa County Investment Pool which is managed by the Colusa County Treasurer. On a monthly basis, interest is allocated to participants based on average daily balances. The Colusa 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.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015, was as follows:

	Balance January 1, 2015	Additions	Retirements	Transfers/ Adjustments	Balance December 31, 2015
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 547,601	\$ -	\$ -	\$ -	\$ 547,601
Construction in Progress	<u>550,998</u>	<u>18,864</u>	<u>-</u>	<u>(550,998)</u>	<u>18,864</u>
Total Capital Assets, Not Being Depreciated	<u>1,098,599</u>	<u>18,864</u>	<u>-</u>	<u>(550,998)</u>	<u>566,465</u>
Capital Assets, Being Depreciated:					
Vehicles	718,465	34,462	-	-	752,927
Machinery and Equipment	2,098,255	238,968	-	-	2,337,223
Office Equipment	63,680	12,136	(11,571)	-	64,245
Buildings and Improvements	<u>57,058,970</u>	<u>-</u>	<u>-</u>	<u>(669,104)</u>	<u>56,389,866</u>
Total Capital Assets, Being Depreciated	<u>59,939,370</u>	<u>285,566</u>	<u>(11,571)</u>	<u>(669,104)</u>	<u>59,544,261</u>
Less Accumulated Depreciation For:					
Vehicles	(482,140)	(66,217)	-	-	(548,357)
Machinery and Equipment	(1,490,980)	(117,245)	-	-	(1,608,225)
Office Equipment	(48,922)	(8,465)	9,256	-	(48,131)
Buildings and Improvements	<u>(14,651,160)</u>	<u>(1,499,513)</u>	<u>-</u>	<u>669,104</u>	<u>(15,481,569)</u>
Total Accumulated Depreciation	<u>(16,673,202)</u>	<u>(1,691,440)</u>	<u>9,256</u>	<u>669,104</u>	<u>(17,686,282)</u>
Total Capital Assets, Being Depreciated, Net	<u>43,266,168</u>	<u>(1,405,874)</u>	<u>(2,315)</u>	<u>-</u>	<u>41,857,979</u>
Governmental Activities Capital Assets, Net	<u>\$44,364,767</u>	<u>(\$1,387,010)</u>	<u>(\$ 2,315)</u>	<u>(\$ 550,998)</u>	<u>\$ 42,424,444</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

General Government	<u>\$ 1,691,440</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 1,691,440</u>

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of December 31, 2015:

	Due From Other Funds	Due To Other Funds
Maintenance Fund	\$ 9,333	\$ -
Irrigation Fund	-	9,333
Total	\$ 9,333	\$ 9,333

NOTE 6: UNEARNED REVENUE

At December 31, 2015, the components of unearned revenue reported were as follows:

	Unearned
Irrigation Fund	
Water payments received for 2016	\$ 48,747
Total	\$ 48,747

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Retirements	Balance December 31, 2015	Amounts Due Within One Year
Compensated absences	\$ 38,787	\$ 65,582	(\$ 54,270)	\$ 50,099	\$ 50,099
Loans	1,085,500	-	(1,085,500)	-	-
Capital Leases	248,378	-	(248,378)	-	-
Total	\$ 1,372,665	\$ 65,582	(\$ 1,388,148)	\$ 50,099	\$ 50,099

NOTE 8: LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9: NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as 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”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 10: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2015, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted with the consent of the resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Trustees is the highest level of decision making authority for the District that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 10: FUND BALANCES (CONTINUED)

- **Assigned fund balance** - amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District's Maintenance fund that includes all amounts not contained in the other classifications.

The fund balances for all governmental funds as of December 31, 2015, were distributed as follows:

	Total
Nonspendable:	
Prepaid costs	\$ 73,851
Prepaid power	22,829
Inventory	157,726
Subtotal	254,406
Committed to:	
Flood damage	700,000
Unemployment benefits	20,000
Sites	750,000
SBX7-7 water measurement	37,486
Subtotal	1,507,486
Unassigned	15,955,623
Total	\$ 17,717,515

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Trustees has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications and establishes a hierarchy of fund balance expenditures.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11: PENSION PLAN

The District contributes to the Reclamation District No. 108 Defined Contribution Plan for all permanent employees. The plan is administered by Atteberry/Searle Incorporated.

Benefit terms, including contribution requirements for the Plan are established and may be amended by the Board of Trustees. Each year the Board of Trustees shall establish the amount, if any, to be contributed to the Plan. For the year ended December 31, 2015, the contribution rate was 5 percent of annual salary. Employees are not permitted to make contributions to the pension plan. For the year ended December 31, 2015, the District recognized pension expense of \$56,168.

Employees become 100 percent vested in District contributions and earnings on District contributions upon the attainment of normal retirement age while employed by the District or upon severance from employment by reason of death or disability. Prior to becoming 100 percent vested, employees shall become vested as follows:

Year of Service	Percent Vested
Less than 2	0%
2	10%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

The District's contributions payable to the pension plan at December 31, 2015 were \$17,763.

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Reclamation District No. 108 is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA). The JPIA's members have pooled funds to be self-insured for liability, property, underground storage tank (UST), pollution liability, and worker's compensation insurance. The District participates in the liability program.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three years.

No additional liability has been accrued at December 31, 2015, based on the requirements of GASB Code Section C50.110, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12: RISK MANAGEMENT (CONTINUED)

The JPIA's financial statements were audited by a different accounting firm and received an unqualified opinion. The following is summary financial information of the JPIA as of September 30, 2014 (the most recent available):

Assets	\$ 195,584,000
Liabilities	<u>107,626,833</u>
Total Net Position	<u>\$ 87,957,167</u>

NOTE 13: WATER SUPPLY

The District receives its water supply from the Bureau of Reclamation (BOR). The cost of project water supply is at the BOR cost of service rate, which includes various components including an operation and maintenance component and capital component.

The capital component is for required reimbursement from the District for its allocated portion of the capital costs of the BOR's water system including certain dams and waterways. The BOR had determined that the District's share of the unpaid allocated capital as of September 30, 2014, was \$3,768,686. This liability may be reduced if the District makes voluntary payments. Any unpaid capital cost will be amortized through the year 2030 and added to the District's "costs of service rate" as established by BOR. This obligation is not included as debt payable on the District's financial statements.

NOTE 14: PROJECT EXPENDITURES

The District had several ongoing projects during 2015. For the year ended December 31, 2015, the District expended the following amounts for projects:

Water transfers	\$ 877,189
Special water transfers - San Luis Delta Mendota	16,733,565
Solar project	377,162
SBX7 measurement legislation	132,514
Mid-Sacramento regional flood control	145,567
Mid-Sacramento regional emergency response	449,063
Groundwater bank	14
Knights Landing outfall gate fish barrier	2,375,665
Sites	60,549
Supplemental ground wells	115,355
Wallace Weir	<u>560</u>
Subtotal	21,267,203
Less:	
Amount reclassified as capital outlay	(18,864)
Amount reclassified as debt service	<u>(370,108)</u>
Total Projects Expenditures	<u>\$ 20,878,231</u>

RECLAMATION DISTRICT NO. 108
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15: OTHER INFORMATION

A. Commitments and Contingencies

The District has signed agreements for Flood Planning and Response Projects subsequent to December 31, 2015. The balance owed on the commitments at December 31, 2015, was approximately \$715,611.

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.

The District is involved in two lawsuits. Due to the nature of the case, District counsel is unable to estimate at this time the probability of favorable or unfavorable outcomes. Therefore, no provision has been made in the financial statements for a loss contingency.

B. Subsequent Events

Management has evaluated events subsequent to December 31, 2015 through August 12, 2016, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

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RECLAMATION DISTRICT NO. 108
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Maintenance Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Irrigation system rental	\$ 1,566,099	\$ 1,566,099	\$ 1,566,099	\$ -
Tract 6 leases	3,895,326	3,895,326	3,766,654	(128,672)
Use of money	6,000	6,000	93,611	87,611
Charges for services:				
Sacramento River Westside Levee District services	225,572	225,572	222,477	(3,095)
Knights Landing Ridge Drainage District services	75,804	75,804	54,609	(21,195)
Other services	31,712	31,712	38,782	7,070
Other revenue	25,998	25,998	65,527	39,529
Projects revenue	2,017,901	2,017,901	29,237,887	27,219,986
Total Revenues	7,844,412	7,844,412	35,045,646	27,201,234
EXPENDITURES				
Current general government:				
Water Supply:				
Contract renewal	80,000	92,546	101,569	(9,023)
Phase 8 - Bay Delta	60,000	60,000	45,973	14,027
Wages and benefits:				
Wages	1,307,100	1,307,100	1,220,946	86,154
Payroll taxes and benefits	576,100	576,100	477,553	98,547
Trustee fees	3,000	3,000	1,722	1,278
Consulting services:				
Legal	50,000	51,500	49,833	1,667
Engineering	80,000	80,000	24,131	55,869
Accounting	10,500	10,500	10,500	-
WDC consultant	75,000	75,000	67,242	7,758
Administration and supplies:				
Insurance	62,985	67,102	63,237	3,865
Miscellaneous fees	57,022	60,550	31,160	29,390
Memberships	130,390	130,390	129,278	1,112
Office supplies	27,500	27,500	25,224	2,276
Meetings and conferences	24,000	24,000	15,017	8,983
Communication services	21,600	21,600	25,688	(4,088)
Public relations	-	40,800	9,927	30,873
Headquarters, residences and well maintenance	42,000	42,000	37,844	4,156
Management fee	-	-	11,086	(11,086)
Maintenance:				
Contract maintenance	-	7,182	7,182	-
Telemetry/SCADA	22,500	22,500	9,570	12,930
Power and energy	127,000	172,177	140,712	31,465
Deep wells maintenance	2,500	2,500	2,062	438
Fuel and lubricants	204,000	204,000	141,860	62,140
Shop tools and supplies	40,000	41,567	41,850	(283)
Equipment/vehicle maintenance/repair	78,000	80,418	80,336	82
Pumping plant maintenance	143,000	143,000	81,566	61,434
Irrigation system maintenance	160,000	160,000	152,509	7,491
Drainage system maintenance	155,000	155,000	148,583	6,417
Back levee maintenance	28,000	28,000	14,342	13,658
Tract 6 farms	256,848	260,366	260,366	-
Miscellaneous expense	27,000	28,680	33,188	(4,508)
Subtotal Expenditures	\$ 3,851,045	\$ 3,975,078	\$ 3,462,056	\$ 513,022

RECLAMATION DISTRICT NO. 108
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Maintenance Fund
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
Current general government (continued):				
Projects expenditures	\$ 5,866,051	\$ 16,747,306	\$ 22,254,471	\$ (5,507,165)
Capital outlay	278,660	483,773	304,430	179,343
Total Expenditures	<u>9,995,756</u>	<u>21,206,157</u>	<u>26,020,957</u>	<u>(4,814,800)</u>
Net Change in Fund Balance	(2,151,344)	(13,361,745)	9,024,689	22,386,434
Fund Balance - Beginning	<u>8,897,524</u>	<u>8,897,524</u>	<u>8,897,524</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,746,180</u>	<u>\$ (4,464,221)</u>	<u>\$ 17,922,213</u>	<u>\$ 22,386,434</u>

The District budgets for solar income, intergovernmental revenues and water transfers as projects revenue. For purposes of the budgetary comparison schedule, the solar income, intergovernmental revenues, and water transfers have been combined with projects revenue.

The District budgets for debt service principal and interest expenditures and capital outlay expenditures as projects expenditures. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures and capital outlay expenditures have been combined with projects expenditures.

**RECLAMATION DISTRICT NO. 108
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended December 31, 2015**

BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the Maintenance fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The District follows these procedures annually in establishing the budgetary data reflected in the financial statements:

- (1) The Board of Trustees reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (2) Prior to January 1, the budget is adopted through the passage of a resolution.
- (3) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations. The Board of Trustees may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended December 31, 2015, the District incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
Maintenance fund	\$ 21,206,157	\$ 26,020,957	\$ 4,814,800

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