

SACRAMENTO AREA FLOOD CONTROL AGENCY

Independent Auditors' Reports,
Management's Discussion and Analysis,
Basic Financial Statements, Required Supplementary
Information and Other Reports

For the Fiscal Year Ended June 30, 2015

SACRAMENTO AREA FLOOD CONTROL AGENCY
For the Fiscal Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sacramento Area Flood Control District (SAFCA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SAFCA'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.

Auditors' 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SAFCA, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of SAFCA'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 SAFCA's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
November 30, 2015

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

As management of the Sacramento Area Flood Control Agency (SAFCA), we offer readers of SAFCA's financial statements this narrative overview and analysis of the financial activities of SAFCA for the year ended June 30, 2015.

Please read it in conjunction with SAFCA's basic financial statements following this section.

Financial Highlights

- The liabilities of SAFCA exceeded its assets and deferred outflows of resources at June 30, 2015 by \$(93,804,028) (*net position*). Of this amount, \$69,707,470 was invested in capital assets, \$41,365,441 is restricted for specific purposes, and \$269,405 is restricted for the Hansen Ranch Project. The unrestricted net position for the current fiscal year amounted to \$(205,146,344) and is negative due to the fact that SAFCA issued bonds to improve existing levees, but the levees are owned by other entities.
- SAFCA's total net position decreased by \$3,934,604 during Fiscal Year 2014-2015. This decrease was due to an increase in interest on long-term debt resulting from the issuance of the 2014 local assessment district and capital project expenditures for levee construction.
- As of the 2014-2015 Fiscal Year, SAFCA's governmental funds reported ending fund balances of \$59,603,126 a decrease of \$14,130,310 in comparison with the prior year. The decrease is primarily due to a reduction in bond issuance proceeds that were received in the prior fiscal year with the issuance of the 2014 local assessment district bonds. Approximately 30 percent of this total amount, \$17,968,280, is *available for expenditure* at the Agency's discretion (*assigned and unassigned fund balance*).
- SAFCA's total long-term debt decreased by a net amount of \$4,971,298 during the current fiscal year due to principal payments on outstanding bonds and amortization of bond discounts and premiums.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SAFCA's basic financial statements composed of three components: 1) governmental-wide financial statements, 2) governmental fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of SAFCA's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of SAFCA's assets, deferred outflows of resources, and liabilities, with the difference amongst the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SAFCA is improving or deteriorating.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The *statement of activities* presents information showing how the Agency's 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, and inflows and outflows, are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of activities distinguishes functions of SAFCA that are principally supported by charges for services and operating grants and contributions (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs.

The governmental activities of SAFCA include public protection, and public ways and facilities.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SAFCA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of SAFCA's funds are governmental funds.

Governmental 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 funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of nonspendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 the comparison between *governmental funds* and *governmental activities*.

SAFCA reports three major governmental funds: General Fund, Capital Projects Fund and Debt Service Fund. Information is presented separately for each major fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

SAFCA adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund, as required supplementary information, to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14-15 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to provide a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16-35 of this report.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of SAFCA, liabilities exceeded assets and deferred outflows of resources by \$93,804,028 at the end of the 2014-2015 Fiscal Year. The deficit in net position is caused by the financing of long-term capital improvement projects with funds received from the issuance of local assessment district bonds. In the long-term, property assessments will provide the revenues to pay the long-term debt financing.

**Statement of Net Position
June 30,**

	2015	2014
Assets:		
Current and other assets	\$ 81,148,857	\$ 92,561,541
Capital assets, net	69,707,470	69,133,178
Total assets	150,856,327	161,694,719
 Deferred outflows of resources	 875,310	 962,841
 Liabilities:		
Long-term liabilities	233,160,414	238,131,712
Other liabilities	9,375,251	14,395,272
Total liabilities	242,535,665	252,526,984
 Net position:		
Net investment in capital assets	69,707,470	69,133,178
Restricted for:		
Endowment - nonexpendable	90,343	90,343
Endowment - expendable	179,062	178,983
Debt service	22,758,912	17,544,528
Capital projects	18,606,529	39,792,864
Unrestricted	(205,146,344)	(216,609,320)
Total net position	\$ (93,804,028)	\$ (89,869,424)

Key elements of the current year decreases/increases are as follows:

The current and other assets decreased by \$11,412,684 the decrease is mainly due to one-time receipts in fiscal year 2013-2014 from the issuance of the 2014 local assessment district bonds in the amount of \$35,350,000. Total expenditures decreased resulting from capital fund projects nearing completion. Total revenues increased, mostly from contributions received from the State of California Department of Water Resources. Total liabilities decreased by \$9,991,319 due to a reduction in Capital Fund Expenditures and payments on long-term debt. Current and other liabilities decreased by \$5,020,021 due to a reduction in Capital Project Fund expenditures as projects are nearing completion. Total net investment in capital assets increased \$574,292 due to new acquisition of land and easements related to Capital Projects Fund.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental activities

Governmental activities decreased SAFCA's net position by \$3,934,604 during the year.

Statement of Activities		
Fiscal Year Ended June 30,		
	2015	2014
Program revenues:		
Charges for services	27,162,536	27,062,227
Operating grants and contributions	20,257,333	9,973,187
Total program revenues	47,419,869	37,035,414
General revenues:		
Interest and other income	1,475,961	1,475,271
Total general revenues	1,475,961	1,475,271
Total revenues	48,895,830	38,510,685
Expenses:		
Public protection	5,685,864	5,859,609
Public ways and facilities	35,932,846	34,301,975
Interest on long-term debt	11,211,724	10,188,504
Total expenses	52,830,434	50,350,088
Change in net position	(3,934,604)	(11,839,403)
Net position, beginning of year	(89,869,424)	(78,030,021)
Net position, end of year	(93,804,028)	(89,869,424)

Key elements of current year decreases/increases are as follows:

- Operating grants and contributions increased by \$10,284,146 (103%) during the year. This increase was due to higher earned revenue from the State of California Department of Water Resources that was used for capital project construction.
- Interest and other income increased by \$690 (0%) during the year primarily due to an increase in cash balances.
- Public protection expenses decreased by \$173,745 (3%) during the year primarily due to a reduction in such costs as: construction, environmental services, and accounting services.
- Public ways and facilities expenses increased by \$1,630,871 (5%) during the year due to an increase in expenses offset by a reduction in engineering services and water resources services related to Capital Project Fund projects nearing completion.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of SAFCA's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing SAFCA's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015, SAFCA's governmental funds reported combined fund balances of \$59,603,126 a decrease of \$14,130,310 in comparison with the prior year. Approximately \$90,343 or less than 1 percent of the total fund balance is nonspendable due to a trust agreement regarding Hansen Ranch. The remaining 99 percent or \$59,512,793 is available to meet the Agency's current and future needs. \$179,062 is restricted for expenses related to Hansen Ranch, \$22,758,912 is restricted for debt service payments, \$18,606,529 is restricted for capital projects, and the remaining \$17,968,280 of assigned and unassigned fund balances can be used for any Agency need.

The **General Fund** is the chief operating fund of SAFCA. As of June 30, 2015, the unassigned fund balance of the General Fund was \$10,392,484 while the total fund balance was \$13,122,400. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 184 percent of total General Fund expenditures, while total fund balance represents 240 percent of that same amount. The fund balance of SAFCA's General Fund increased by \$414,170 during fiscal year 2015. The increase was mainly due to reduced expenditures for public protection.

The **Capital Projects Fund** consists of all SAFCA capital projects. As of June 30, 2015, total fund balance was \$23,721,814. The Capital Projects Fund consists of all the capital assessment districts and the development impact fee funds. The purpose of these projects is improve levees and ensure the integrity of the existing levee system; provide a minimum of 100-year flood protection for the region; and pursue SAFCA's long-term goal of achieving a high level of flood protection (200-year or greater) for the Sacramento area. The fund balance decreased by \$19,758,864 during Fiscal Year 2015. The decrease was mainly due to expenditures of public ways and facilities.

The **Debt Service fund** has a total fund balance of \$22,758,912 all of which is restricted for the payment of debt service. The fund balance increased by \$5,214,384 during Fiscal Year 2015. The increase is mainly due to an increase in capital assessments and reduced transfers to the Capital Projects Fund.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The following table compares the revenues and expenditures for Fiscal Years 2014 and 2015 along with the net change from 2014 to 2015, for total governmental funds.

Total Governmental Funds	FY 2015		FY 2014		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Revenues by Source						
Special benefit assessments	\$ 6,248,599	15.5%	\$ 6,219,685	18.4%	\$ 28,914	0.5%
Special capital assessments	20,913,937	51.7%	20,842,542	61.8%	71,395	0.3%
Intergovernmental	11,857,333	29.3%	5,213,187	15.5%	6,644,146	127.5%
Interest and other Income	1,475,961	3.5%	1,475,271	4.3%	690	0.1%
Total revenues	\$ 40,495,830	100.0%	\$ 33,750,685	100.0%	\$ 6,745,145	20.0%
Expenditures by Function						
Public protection	\$ 5,399,519	9.9%	\$ 5,859,609	9.5%	\$ (460,090)	-7.9%
Public ways and facilities	32,915,775	60.3%	34,663,208	56.4%	(1,747,433)	-5.0%
Miscellaneous	454,122	0.8%	135,394	0.2%	318,728	235.4%
Bond issuance cost	-	0.0%	635,269	1.0%	(635,269)	-100.0%
Principal on long-term debt	4,645,000	8.5%	10,020,000	16.3%	(5,375,000)	-53.6%
Interest on long-term debt	11,211,724	20.5%	10,188,504	16.6%	1,023,220	10.0%
Total expenditures	\$ 54,626,140	100.0%	\$ 61,501,984	100.0%	\$ (6,875,844)	-11.2%

Special capital assessment revenue increased \$71,395 due to normal fluctuations in property values. The Intergovernmental revenue had an increase of \$6,644,146 primarily due to increased contributions and reimbursements from the State of California Department of Water Resources related to Capital Project Fund projects. Public Protection expenditures decreased by \$460,090 due to reductions in expenditures for such costs as: construction, environmental services, and accounting services. Public ways and facilities expenditures decreased by \$1,747,433 during the fiscal year due to a decrease in engineering services and water resources services related to Capital Project Fund projects. Miscellaneous expenditures increased by \$318,728 due to a repayment of interest revenue that was over allocated by the County of Sacramento Investment Pool in prior fiscal years. Principal payments on long-term debt decreased by \$5,375,000 due to the one-time payoff of the 2011 Bond Anticipation Notes in fiscal year 2013-2014. The interest on long-term debt increased by \$1,023,220 due to increased revenue bond debt from the 2014 local assessment district bonds.

General Fund Budgetary Highlights

During the year, final budgeted revenues exceeded actual revenues by \$48,123. Actual expenditures were less than budgetary estimates by \$2,913,997, primarily due to conservative budgeting for potential programs and cost increases. Due to the nature of the operations and maintenance of the General Fund is not always possible to budget for uncertainties and its management's policy to maintain the budget based on potential program costs. Transfers Out were less than the budget by \$10,205.

Capital Asset and Debt Administration

Capital Assets - SAFCA's investments in capital assets for its governmental activities as of June 30, 2015 amount to \$69,707,470 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, and equipment. The total increase in the SAFCA's investment in capital assets for the current fiscal year was 1 percent, or \$574,292. This increase was due to land and easement acquisitions related to Capital Project Fund projects. SAFCA keeps records of all assets for governmental activities.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Capital Assets, Net of Depreciation
June 30,**

	2015	2014
Land	\$69,565,996	\$69,049,554
Permanent Easements	141,474	83,624
Equipment	-	-
Total	<u>\$69,707,470</u>	<u>\$69,133,178</u>

Additional information on SAFCA's capital assets can be found in Note 6 on page 26 of the Notes to the Basic Financial Statements.

Long-term debt - At the end of the current fiscal year, SAFCA had local assessment district bonds outstanding of \$226,635,000. The majority of SAFCA's debt represents bonds secured by the assessment revenues of the CCAD, Natomas Basin, and Operations & Maintenance Assessment Districts.

Summary of Outstanding Long Term Obligations

June 30,

	2015	2014
Local Assessment District Bonds	\$ 226,635,000	\$ 231,280,000
Add: Premium on Bonds Payable	7,612,026	7,985,568
Less: Discount on Bonds Payable	(1,086,612)	(1,133,856)
Totals	<u>\$ 233,160,414</u>	<u>\$ 238,131,712</u>

Additional information on long-term debt can be found in Note 7 on pages 27-31 of the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Fiscal Year 2015-2016 Final Budget was adopted by SAFCA's Board of Directors on June 18, 2015. The budget supports SAFCA's continuing efforts to address the region's flood control needs during the coming year and is consistent with the objectives of SAFCA's current Strategic Plan. SAFCA's Strategic Plan identifies the efforts which SAFCA will undertake to ensure the integrity of the existing levee system; provide a minimum of 100-year flood protection for the region; and pursue SAFCA's long-term goal of achieving a high level of flood protection (200-year or greater) for the Sacramento area.

Due to the County of Sacramento over-allocating interest revenue in prior years the budget for 2015-2016 includes a reduction in interest revenue of \$204,300.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The proposed means of financing some of the \$87.1 million in total budgeted expenditures for Fiscal Year 2015-2016 includes:

•	Prior year fund balance:		
	General Fund		
	○ Operations & Maintenance Assessment District Fund:		\$ 2,460,511
	Capital Projects Fund		
	○ North Area Local Project Capital Fund:		740,835
	○ Consolidated Capital Assessment District Fund:		9,600,000
	○ Development Impact Fee Fund:		409,647
	○ Natomas Basin Local Assessment District Fund:		-
•	Estimated interest earnings:		
	General Fund		
	○ Operations & Maintenance Assessment District Fund:		-
	Capital Projects Fund		
	○ North Area Local Project Capital Fund:		5,000
	○ Consolidated Capital Assessment District Fund:		-
	○ Development Impact Fee Fund:		-
	○ Natomas Basin Local Assessment District Fund:		-
•	Assessments:		
	General Fund		
	○ Operations & Maintenance Assessment District Fund:		6,300,000
	○		
	Capital Projects Fund		
	○ Consolidated Capital Assessment District Fund:		4,300,000
	○ Natomas Basin Local Assessment District Fund:		500,000
•	Other revenues:		
	Capital Projects Fund		
	○ Local Aid:		300,000
	○ State Aid:		31,464,031
	○ Development Impact Fees:		200,000
	○ Issuance of 2015 CCAD Bonds		29,200,000
•	Assessments:		
	General Fund		
	○ Reserve release		<u>1,810,191</u>
	Subtotal		87,290,215
	Less Interest repayment		<u>(204,300)</u>
	Total		<u>\$ 87,085,915</u>

**SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The following assumptions were made in preparing the 2015-2016 Budget

- The Operations & Maintenance assessment rates will remain at current (2014-2015) levels.
- Consolidated Capital Assessment District rates will be levied at the rates specified in the formula set forth in the Final Engineer's Report. The average rates for the Consolidated Capital Assessment District are provided in the table below.
- The Natomas Basin Local Assessment District rates will be levied at the rates specified in the formula set forth in the Final Engineer's Report. The average rates for the Natomas Basin Local Assessment District are provided in the table that follows.

Average Assessment Rates by District

	Consolidated Capital Assessment District	Natomas Basin Local Assessment District
Single Family Residence 1 (Per Parcel)	\$ 59	\$ 56
Single Family Residence 2 (Per Parcel)	79	60
Commerical (per 1,000 square feet)	93	41
Industrial (per 1,000 square feet)	53	26

- SAFCA anticipates that State of California DEPARTMENT OF WATER RESOURCES will provide approximately \$31 million through reimbursements to SAFCA for prior Natomas Local Improvement Project expenditures and direct contributions under California's Flood Safe Program.
- SAFCA will repay \$204,300 in interest revenues resulting from over allocation in prior fiscal years from the County of Sacramento Treasury Pool.

Requests for Information

This financial report is designed to provide a general overview of SAFCA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Julie Lienert, Director of Administration, Sacramento Area Flood Control Agency, 1007 7th Street, 7th Floor, Sacramento, CA 95814 or phone (916) 874-7606.

SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

ASSETS

Cash and cash equivalents	\$ 36,320,731
Interest receivable	117,558
Deposits with others	271,677
Due from other governments	24,644,853
Prepaid bond insurance	2,238,334
Restricted assets - investments	17,555,704
Capital assets:	
Land	69,565,996
Permanent easement	141,474
Total capital assets, net	69,707,470
Total assets	150,856,327

DEFERRED OUTFLOWS OF RESOURCES

Loss on debt refunding	875,310
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LIABILITIES

Warrants and accounts payable	5,477,195
Contingency payable	3,000,000
Compensated Absences	286,345
Wages Payable	64,721
Due to other governments	605,481
Accrued interest payable	2,848,203
Accrued rent payable	93,306
Long-term liabilities:	
Due within one year	5,726,299
Due in more than one year	227,434,115
Total long-term debt	233,160,414
Total liabilities	245,535,665

NET POSITION

Net investment in capital assets	69,707,470
Restricted for:	
Debt service	22,758,912
Capital projects	18,606,529
Endowment:	
Expendable	179,062
Nonexpendable	90,343
Unrestricted	(205,146,344)
Total net position	\$ (93,804,028)

See accompanying notes to the basic financial statements.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Public protection	\$ 5,685,864	\$ 6,248,599	\$ -	\$ 562,735
Public ways and facilities	35,932,846	20,913,937	20,257,333	5,238,424
Interest on long-term debt	11,211,724	-	-	(11,211,724)
Total governmental activities	<u>\$ 52,830,434</u>	<u>\$ 27,162,536</u>	<u>\$ 20,257,333</u>	(5,410,565)
General Revenues:				
Interest and other income				1,475,961
Total general revenues				<u>1,475,961</u>
Change in net position				(3,934,604)
Net position, Beginning of the year				<u>(89,869,424)</u>
Net Position, End of the year				<u>\$ (93,804,028)</u>

See accompanying notes to the basic financial statements.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,225,035	\$ 19,926,674	\$ 5,169,022	\$ 36,320,731
Interest receivable	44,205	48,037	25,316	117,558
Deposits with others	-	271,677	-	271,677
Due from other funds	3,016,180	-	-	3,016,180
Due from other governments	20,841	24,615,142	8,870	24,644,853
Restricted assets:				
Cash and Investments	-	-	17,555,704	17,555,704
Total assets	<u>\$ 14,306,261</u>	<u>\$ 44,861,530</u>	<u>\$ 22,758,912</u>	<u>\$ 81,926,703</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Warrants and accounts payable	\$ 652,834	\$ 4,824,361	\$ -	\$ 5,477,195
Wages payable	64,721	-	-	64,721
Due to other funds	-	3,016,180	-	3,016,180
Due to other governments	466,306	139,175	-	605,481
Total liabilities	<u>1,183,861</u>	<u>7,979,716</u>	<u>-</u>	<u>9,163,577</u>
Deferred Inflows of Resources				
Unavailable Revenue		13,160,000		13,160,000
Fund balances:				
Nonspendable				
Hansen Ranch	90,343	-	-	90,343
Restricted for:				
Hansen Ranch	179,062	-	-	179,062
Debt Service	-	-	22,758,912	22,758,912
Capital projects	-	18,606,529	-	18,606,529
Assigned	2,460,511	5,115,285	-	7,575,796
Unassigned	10,392,484	-	-	10,392,484
Total fund balances	<u>13,122,400</u>	<u>23,721,814</u>	<u>22,758,912</u>	<u>59,603,126</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 14,306,261</u>	<u>\$ 44,861,530</u>	<u>\$ 22,758,912</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Prepaid bond insurance is not a current cost and therefore is not reported in the governmental funds.	2,238,334
Revenues earned but unavailable are not reported in the governmental funds.	13,160,000
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	69,707,470
Loss on debt refunding is not a current outflow and therefore is not reported in the governmental funds.	875,310
Contingency payables are not reported as an expense in the government wide and are reported as an expenditure in the statement of governmental activities	(3,000,000)
Compensated Absences are not reported as an expense in the governmental funds and are reported as an expenditure in the statement of governmental activities	(286,345)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds	(2,848,203)
Accrued rent payable is not due and payable in the current period and therefore is not reported in the governmental funds	(93,306)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(233,160,414)
Net position of governmental activities	<u>\$ (93,804,028)</u>

See accompanying notes to the basic financial statements.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Special benefit assessments	\$ 6,248,599	\$ -	\$ -	\$ 6,248,599
Special capital assessments	-	-	20,913,937	20,913,937
Intergovernmental	-	11,857,333	-	11,857,333
Interest and other income	23,278	1,453,141	(458)	1,475,961
Total revenues	<u>6,271,877</u>	<u>13,310,474</u>	<u>20,913,479</u>	<u>40,495,830</u>
EXPENDITURES				
Current:				
Public protection	5,399,519	-	-	5,399,519
Public ways and facilities	-	32,915,775	-	32,915,775
Miscellaneous	65,393	153,563	235,166	454,122
Debt service:				
Principal	-	-	4,645,000	4,645,000
Interest	-	-	11,211,724	11,211,724
Total expenditures	<u>5,464,912</u>	<u>33,069,338</u>	<u>16,091,890</u>	<u>54,626,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>806,965</u>	<u>(19,758,864)</u>	<u>4,821,589</u>	<u>(14,130,310)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	392,795	392,795
Transfers out	(392,795)	-	-	(392,795)
Total other financing sources (uses)	<u>(392,795)</u>	<u>-</u>	<u>392,795</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	414,170	(19,758,864)	5,214,384	(14,130,310)
Fund balances - Beginning of the year	<u>12,708,230</u>	<u>43,480,678</u>	<u>17,544,528</u>	
Fund balances - End of the year	<u>\$ 13,122,400</u>	<u>\$ 23,721,814</u>	<u>\$ 22,758,912</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets are capitalized and, except for land and easements, depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation in the current period.	574,293
Governmental funds do not report contingencies as expenditures on the income statement. However, in the statement of activities the cost of these contingencies are expensed in the year incurred.	(3,000,000)
Compensated Absences are not reported as an expense in the governmental funds and are reported as an expenditure in the statement of governmental activities	(286,345)
Governmental funds report revenues that are measureable and available. However, in the statement of activities revenues are accrued when they are earned.	8,400,000
The issuance of long-term debt (e.g. bonds, loans) provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of Debt (Principal Reduction)	4,645,000
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 governmental funds.	
Rent	(25,122)
Current year amortization of bond insurance	(96,375)
Current year amortization of bond premium	373,542
Current year amortization of bond discount	(47,244)
Current year amortization of loss of refunding	(87,531)
Change in accrued interest payable	<u>(254,512)</u>
Change in net position of governmental activities	<u>\$ (3,934,604)</u>

See accompanying notes to the basic financial statements.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – REPORTING ENTITY

Definition of Reporting Entity and Governing Board

The Sacramento Area Flood Control Agency (SAFCA) is a political subdivision of the State of California. It was created January 1, 1990 under the laws of the State of California and provisions of a Joint Exercise of Powers Agreement. Parties to this agreement are the County of Sacramento (County), County of Sutter, City of Sacramento, Reclamation District No. 1000, and the American River Flood Control District.

SAFCA was formed to plan, coordinate, and finance regional flood protection improvements in the Sacramento area.

SAFCA is governed by a Board of Directors composed of thirteen members appointed by the parties to the agreement. Five members are appointed by the Sacramento County Board of Supervisors, one from the Sutter County Board of Supervisors, three from the Sacramento City Council, two from Reclamation District No. 1000, and two from the American River Flood Control District. Employees of SAFCA are contracted from the County of Sacramento and City of Sacramento.

DISTRICTS AND PROGRAMS

The SAFCA Board of Directors established several assessment districts to facilitate operations of the organization. These assessment districts which operate within SAFCA's boundaries and governed by the SAFCA Board of Directors include:

Operations and Maintenance Assessment District No. 1

The district which was established by Resolution 91-010 on June 20, 1991 resulting from the Sacramento Area Flood Control Agency Act augmented by the California State Legislature which granted SAFCA the ability to levy and collect assessments and to pay for administrative, operations and maintenance costs.

SAFCA North Area Local Project Capital Assessment District No. 2

The district was established by Resolution 95-112 on September 21, 1995. The SAFCA Board of Directors authorized the issuance of bonds in the principal amount of \$84,345,000; in Fiscal Year 2005 additional bonds were authorized and issued in the principal amount of \$34,595,000.

SAFCA Consolidated Capital Assessment District

The district was established by Resolution 07-052 on May 31, 2007. In 2007 and 2008 the SAFCA Board of Directors authorized the issuance of bonds in the principal amount of \$172,095,000; in Fiscal Year 2013 additional bonds were authorized and issued in the principal amount of \$38,000,000.

SAFCA Development Impact Fee Program

The program was established by Resolution 09-010 on May 15, 2008 becoming effective January 1, 2009. The purpose is to augment the existing Consolidated Capital Assessment District funding sources for achieving at least a 200-year level of flood protection for the Sacramento Area over the next 11 years thereby offsetting any increase in exposure to flood damages that might otherwise result as new development occurs in the protected floodplain during this period.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – REPORTING ENTITY, (Continued)

SAFCA Natomas Basin Local Assessment District

The district was established by Resolution 2001-052 on April 29, 2011. The SAFCA Board of Directors authorized on June 16, 2011, the issuance of bond anticipation notes in the amount of \$6,200,000. The SAFCA Board of Directors authorized on May 15, 2014, the issuance of bonds in the principal amount of \$35,350,000 part of which was used to pay the balance due on the 2011 bond anticipation notes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (SAFCA). These statements include the financial activities of the overall government. The statement of activities presents direct expenses and program revenues for each function of SAFCA'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 or services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including interest and other income, are presented instead as general revenues.

When both restricted and unrestricted resources are available, restricted resources are used first, then unrestricted resources as needed.

Fund Financial Statements

The fund financial statements provide information about SAFCA's funds, which include only *governmental funds*.

SAFCA reports the following major governmental funds:

The *General Fund* is the main operating fund and is used to account for all revenues and expenditures necessary to carry out basic governmental activities of SAFCA that are not accounted for through other funds. For SAFCA, the General Fund's activities include public protection only.

The *Capital Projects Fund* is used to account for the bond proceeds and the accumulation of other resources for, and expenditures relating to financing, or reimbursing, SAFCA for the cost of certain flood control facilities consisting of a series of levee and other flood control improvements to be acquired and constructed.

The *Debt Service Fund* is used to account for all revenues received from the annual levy and collection of assessments when received. The monies are used to pay interest, principal and redemption premiums on all debts including the, Series 2007, 2008, 2012, and 2014 revenue bonds as well as the Operations and Maintenance assessment bonds. Through June 30, 2015, the Debt Service Fund funded all principal and interest payments as scheduled.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which SAFCA gives (or receives) value without directly receiving (or giving) equal value in exchange, includes special assessments, grants, entitlements and donations. On an accrual basis, revenue from special assessments is recognized in the fiscal year for which the assessments are levied. Revenues 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 in the accounting period in which they become both measurable and available to finance expenditures of the current period. Special assessments, interest and certain state and federal grants are accrued when their receipt occurs within three hundred sixty five days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and the sale of capital assets are reported as other financing sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. SAFCA did not have any of these types of transactions.

Cash and Investments

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of the County of Sacramento (County) has custody of all cash and investment balances and is the fiscal agent for SAFCA. All investments in the debt service fund represent bond reserves held with third party trustees; the remainder of SAFCA's cash is pooled in Sacramento County's Treasury Pool. SAFCA's share of the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned at the end of each quarter based upon the relationship of its daily cash balance to the total of the pooled account. SAFCA is an involuntary participant in the pool.

The value of SAFCA's shares in the pools is determined on an amortized cost basis, which may be different from fair value. The County's basic financial statements, containing all of the applicable provisions of GASB 31, can be obtained from the County Auditor-Controller's Office.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital Assets

Capital assets are stated at cost except for assets contributed to SAFCA, which are stated at their market value on the date contributed. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in net income for the period.

Maintenance and repair costs are expensed as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives. The intangible asset class includes permanent easements.

Depreciation of capital assets is computed under the straight-line method over the following estimated useful lives:

Equipment	5 to 10 years
Structures and improvements	10 to 40 years

The SAFCA's policy is to capitalize all capital assets with a cost greater than \$25,000 and a useful life of more than one year.

Special Benefit Assessments

Special benefit assessments are recognized and apportioned only as received. The special benefit assessment is billed with the Sacramento and Sutter County property taxes. It is, however, not a property tax since it is exempt from the tax rate limitation pursuant to Article XIII A of the California Constitution. Assessments are payable in equal installments on November 1 and February 1. They become delinquent after December 10 and April 10, respectively. The assessment date is July 1 and the lien date is January 1 of each year.

Special Capital Assessments

Special capital assessments are levied on parcels of property in the Capital Assessment Districts to satisfy the annual debt service during the ensuing bond year. Although the annual special capital assessments constitute liens on the lots and parcels assessed, they do not constitute a personal indebtedness of the respective owners of the lots and parcels. Furthermore, there is no assurance as to the ability or the willingness of the owners to pay the special capital assessments.

The special capital assessments are levied annually on the County's secured tax roll on which general taxes on real property are billed. The special capital assessments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes except that accelerated foreclosure procedures are imposed. Amounts not received at year-end are delinquent. Special capital assessments are recognized and apportioned to SAFCA in installments.

Development Impact Fee

The Counties of Sacramento and Sutter, and the City of Sacramento, collect the Development Impact Fee as a condition of issuance of a building permit for any building, for which building permit is required, located in the Program area (Lower American and Sacramento Rivers and their tributaries) that has a finished floor below elevation 35.6 feet. As funds are collected by the Counties and City, the collections are remitted to SAFCA and recorded in SAFCA's Capital Projects Fund.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Receivables

SAFCA does not accrue an allowance for doubtful accounts for special benefit assessments as the Sacramento Area Flood Control Agency Act provides authority for accelerated judicial foreclosure in the event of nonpayment.

SAFCA does not accrue an allowance for doubtful accounts for special capital assessments as SAFCA participates in the County's Teeter Plan where the County has historically purchased 100 percent of SAFCA's delinquent assessments. Under the Teeter Plan, the County purchases the annual delinquent secured property taxes from the local taxing entities and selected special assessment districts in Sacramento County.

Deposits with others

Deposits with others consist of Contract Retentions, held in escrow accounts. The disposition of these funds is determined by construction contracts. Typically, the funds are applied to the payment of construction contracts. As of June 30, 2015, deposits for contract retentions were \$271,677 respectively.

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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of a refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding debt.

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(s) 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 a 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 from one source: Operating grants and contributions. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available.

Prepaid Bond Insurance

Bond insurance is required by the issuance of the 2007, 2008, and 2014 revenue bonds in lieu of making a reserve fund deposit. As of June 30, 2015 prepaid bond insurance totaled \$2,238,334, net of accumulated amortization. Amortization of the prepaid bond insurance is computed using the straight-line method, over the remaining life of the related bond.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Use of Estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Pronouncements

GASB Statement No. 68.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement was implemented by the District as of July 1, 2014.

At June 30, 2015, SAFCA, did not have any employees, as discussed in Footnote 13, as of the measurement date as prescribed by GASB 68. In preparation for the transition of employees from the City of Sacramento to SAFCA, effective June 30, 2015, a cost analysis was performed. The California Public Employees Retirement System (CalPERS) has estimated the liability at June 30, 2013 at \$584,456. Since the employees were still with the City of Sacramento at June 30, 2014, CalPERS will not issue a separate GASB 68 for SAFCA. An employee from the County of Sacramento was not retained when the transition of payroll was made to SAFCA on June 5, 2015.

GASB Statement No. 71.

In November 2013, GASB issued Statement No. 71, Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement should be applied simultaneously with the provisions of Statement No. 68. This statement was implemented by the District as of July 1, 2014.

SAFCA has not paid any amounts towards an unfunded liability since GASB 68 was not been implemented for the fiscal year ending June, 30, 2015 as discussed above.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 – FUND BALANCES AND NET POSITION

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

As of June 30, 2015, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact such as an endowment. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: amounts held for perpetuity, prepaid amounts, and long-term receivables.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the Agency’s highest level of decision-making authority, SAFCA’s Board of Directors. Commitments may be changed or lifted only by the Agency taking the same formal action that imposed the constraint originally. For SAFCA, the commitments would occur by a resolution approved by the Board of Directors.
- *Assigned Fund Balance* – comprises amounts intended to be used by the Agency for specific purposes that are neither restricted nor committed. Intent is expressed by (1) SAFCA’s Board of Directors or the Executive Director, or their nominee, to which SAFCA’s Board of Directors have delegated the authority to assign amounts to be used for specific purposes and to assign the residual amount for the capital projects and debt service funds. Per GASB 54, any amounts of ending General Fund Balance that will be used in the following year’s budget is assigned.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 – CASH AND INVESTMENTS

SAFCA’s cash and investments are held in the County Treasurer’s pool. In addition, the County, acting in a trustee capacity, established a separate cash and investments pool (fiscal agent pool) to segregate and invest monies in accordance with long-term obligation covenants.

Cash and investments as of June 30, 2015, consist of the following:

Statement of Net Position:

Cash and Investments	
County Treasury Pool	\$ 31,346,788
U.S. Government Agencies	4,973,943
Subtotal	36,320,731
Restricted assets:	
County Treasury Pool	8,411,814
U.S. Government Agencies	9,143,890
Subtotal	17,555,704
Total cash and investments	\$ 53,876,435

SAFCA maintains cash deposits and investments with the County and participates in the investment pool of the County, which is not rated by credit rating agencies. At June 30, 2015, the carrying amount, which equals the fair value, of SAFCA’s investments held by the County as part of the Treasurer’s pool was \$39,758,602. The weighted average maturity of the Treasurer’s pool was 264 days at June 30, 2015. SAFCA does not have a separate investment policy.

California Government Code authorizes the Treasurer of the County to invest excess funds in the following list of eligible securities:

- a) Obligations of the County or any local agency and instrumentality in or of the State of California.
- b) Obligations of the U.S. Treasury, agencies and instrumentalities.
- c) Bankers’ acceptances eligible for purchase by the Federal Reserve System.
- d) Commercial paper with an A-1 rating by Moody’s Investors Service or a P-1 rating by Standard & Poor’s Corporation.
- e) Repurchase agreements or reverse repurchase agreements.
- f) Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories by Moody’s Investors Service and Standard & Poor’s Corporation.
- g) Shares of beneficial interest issued by diversified management companies (money market funds) investing in securities and obligations as outlined in a) through f) above. Certain security rankings and/or organizational requirements apply to this type of investment.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 – CASH AND INVESTMENTS, (Continued)

The County Treasurer’s investment pool is subject to oversight by the Treasury Oversight Committee.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency’s investment policy. Permitted investments include investments in the Sacramento County Pooled Investment Fund which is managed by the County of Sacramento Treasurer.

The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

The maximum maturity of any investment will be five years. The dollar weighted average maturity of all securities will be equal to or less than three years.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S Treasury Notes and Bills	5 years	100%	None
U.S. Government Agencies	5 years	100%	None
Single Issuer and Related Entities	5 years	80%	10%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rate.

<u>Investment Type</u>	<u>Fair Value June 30, 2015</u>	<u>Weigthed Average Maturity (in years)</u>
Held with fiscal agent:		
Federal Home Loan Discount Note	\$ 5,770,840	
Federal Natonal Mortgage Association Discount Note	8,346,993	
Total	<u>\$ 14,117,833</u>	<u>0.19</u>

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 – CASH AND INVESTMENTS, (Continued)

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. For short-term investments, the issuers' rating must be A-1 and P-1, and the long-term rating must be A- and A3, respectively by Standard & Poor's and Moody's rating agencies. NR represents securities that are not rated.

<u>Investment Type</u>	<u>Fair Value June 30, 2015</u>	<u>Ratings as of June 30, 2015</u>
Held with fiscal agent:		
Federal Home Loan Discount Note	\$ 5,770,840	P-1Aaa
Federal National Mortgage Association Discount Note	<u>8,346,993</u>	P-1Aaa
Total	<u>\$ 14,117,833</u>	

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent five percent or more of SAFCA's total investments are shown below as of June 30, 2015. All of the investments are reported in the Debt Service Fund.

<u>Investment Type</u>	<u>Description</u>	<u>Amount</u>	<u>Percentage of portfolio</u>
Federal Home Loan Bank Discount Note	Government Securities	\$ 5,770,840	41%
Federal National Mortgage Association Discount Note	Government Securities	8,346,993	59%

Custodial Credit Risk

This is the risk that in the event a financial institution or counterparty fails, SAFCA would not be able to recover the value of its deposits and investments. As of June 30, 2015, 100% of SAFCA's investments are held in SAFCA's name and not exposed to custodial credit risk. SAFCA does not have a policy for custodial credit risk.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transfers

Interfund transfers during the year ended June 30, 2015 are summarized as follows:

Transfers Out:	Transfer In:		Total
	General	Debt Service	
	Fund	Fund	
General Fund	\$ -	\$ 392,795	\$ 392,795
Total	\$ -	\$ 392,795	\$ 392,795

SAFCA’s General Fund made a transfer of \$392,795 to the Debt Service Fund for Debt Service Payment for the 1996 Operations and Maintenance Bonds.

Interfund receivables during the year ended June 30, 2015 are summarized as follows:

Due from other fund	Due to other fund		Total
	General	Capital	
	Fund	Projects Fund	
General Fund	\$ -	\$ 3,016,180	\$3,016,180
Total	\$ -	\$ 3,016,180	\$3,016,180

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Retirement	Balance at June 30, 2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 69,049,554	\$ 516,442	-	\$ 69,565,996
Permanent easement	83,624	57,850	-	141,474
<i>Capital assets not being depreciated</i>	69,133,178	574,292	-	69,707,470
<i>Capital assets, being depreciated:</i>				
Equipment	35,932	-	-	35,932
Less accumulated depreciation	(35,932)	-	-	(35,932)
<i>Total capital assets, being depreciated, net</i>	-	-	-	-
Capital assets, net	\$ 69,133,178	\$ 574,292	\$ -	\$ 69,707,470

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS

Long-term obligations consist of the following at June 30, 2015:

Series 1996 Operating and Maintenance term bonds due on November 1, 2015 through 2016 with interest at 5.800%, optional redemption effective for bonds maturing on or after November 1, 2007, at a premium rate of 0% to 2%.	\$ 430,000
Series 1996 Operating and Maintenance term bonds due on November 1, 2017 through 2025 with interest at 5.900%, optional redemption effective for bonds maturing on or after November 1 2007 at a premium rate of 0% to 2%.	2,690,000
Series 2007A Consolidated Capital Assessment Serial bonds due on October 1, 2015 through 2027 with interest at 4.000% to 5.570%, optional redemption effective for bonds maturing on or after October 1, 2018.	32,450,000
Series 2007A Consolidated Capital Assessment Term bonds due on October 1, 2032 through 2037 with interest at 5.570%, optional redemption effective for bonds maturing on or after October 1, 2018.	43,965,000
Series 2008 Consolidated Capital Assessment bonds due on October 1, 2015 through 2023 with interest at 4.000% to 5.375%, optional redemption effective for bonds maturing on or after October 1, 2019.	19,265,000
Series 2008 Consolidated Capital Assessment bonds due on October 1, 2024 through 2028 with interest at 5.500%, mandatory redemption effective for bonds maturing on or after October 1, 2024 of each year.	15,340,000
Series 2008 Consolidated Capital Assessment bonds due on October 1, 2029 through 2037 with interest at 5.625%, mandatory redemption effective for bonds maturing on or after October 1, 2029 of each year.	41,130,000
Series 2012 Consolidated Capital Assessment District Serial Bonds due on October 1, 2015 through 2029 with interest varying from 3.000% to 5.000%, optional redemption effective for bonds maturing on or after October 1, 2021.	19,830,000
Series 2012 Consolidated Capital Assessment District Bonds due on October 1, 2030 through 2032 with interest at 5.250%, subject to mandatory sinking fund redemption.	5,420,000
Series 2012 Consolidated Capital Assessment District Bonds due on October 1, 2033 through October 1, 2037 with interest at 5.000%, subject to mandatory sinking fund redemption.	10,765,000

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS, (Continued)

Series 2014 Natomas Basin Local Assessment District Bonds due on October 1, 2015 through October 1, 2017 with interest ranging from 2.000% to 4.000%	1,730,000
Series 2014 Natomas Basin Local Assessment District Bonds due on October 1, 2018 through October 1, 2034 with interest at 5.000%. Bonds maturing after October 1, 2025 are subject to optional redemption.	15,885,000
Series 2014 Natomas Basin Local Assessment District Bonds due on October 1, 2035 through October 1, 2039 with interest at 5.000%, subject to mandatory redemption.	7,790,000
Series 2014 Natomas Basin Local Assessment District Bonds due on October 1, 2040 through October 1, 2044 with interest at 5.000%, subject to mandatory redemption.	<u>9,945,000</u>
Total long-term obligations	<u>\$226,635,000</u>

The aggregate amount of debt service on long-term debt outstanding at June 30, 2015 is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,400,000	\$ 11,339,558
2017	5,625,000	11,101,604
2018	5,870,000	10,844,800
2019	6,140,000	10,567,608
2020	6,425,000	10,267,816
2021-2025	37,095,000	46,233,264
2026-2030	45,705,000	35,811,363
2031-2035	58,270,000	22,481,540
2036-2040	46,160,000	6,595,782
2041-2045	<u>9,945,000</u>	<u>1,291,375</u>
Total	<u>\$226,635,000</u>	<u>\$166,534,710</u>

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS, (Continued)

On November 1, 1996, Sacramento Area Flood Control Agency issued \$1,335,000 of serial and \$4,165,000 of term 1996 Subordinated Operation and Maintenance Assessment Bonds (O&M Bond). The interest rates on the term bonds are 5.800% and 5.900%.

The bonds are secured by special capital assessments and operations and maintenance assessments levied by SAFCA on property in the Operation and Maintenance Assessment District No. 1 and by certain other funds and accounts. The Agency has covenanted that, so long as any Bonds are outstanding, it will annually levy in each fiscal year the Operation and Maintenance Assessments in an amount to provide sufficient funds to make the deposits required by the Resolution to be made in the Operation and Maintenance Assessment Obligation Fund in such fiscal year and to pay all budgeted Operation and Maintenance Expenses in such fiscal year. Total principal and interest remaining on the bonds is \$4,236,140, payable through November 2026. For Fiscal Year 2015, principal and interest paid and total revenues collected were \$200,000, \$189,450, and \$6,248,599, respectively.

On June 1, 2007, the Sacramento Area Flood Control Agency issued \$87,130,000 of serial 2007 Consolidated Capital Assessment District Bonds with interest rates ranging from 4.000% to 5.570%. Proceeds from this issue were used to (i) establish irrevocable escrows to refund in full the \$33,920,000 of 2005 North Area Local Project Capital Assessment District No. 2 Bonds; (ii) repay SAFCA's Bond Anticipation Notes, 2006 Series A and B; (iii) finance certain facilities of SAFCA; (iv) purchase a Reserve Surety Bond in the amount of the reserve fund requirement; and (v) pay the costs of issuance of the Series 2007 Bonds. The bonds are secured by special capital assessments to be levied by SAFCA on property in SAFCA's Consolidated Capital Assessment District. The Agency has covenanted that, so long as any Bonds are outstanding, it will annually levy the maximum amount in each fiscal year, through Fiscal Year 2036-2038. The collection of the Consolidated Capital Assessments should be equal to at least one hundred ten percent (110%) of the annual debt service. Total principal and interest remaining on the Consolidated Capital Assessment District bonds, series 2007 is \$128,483,663, payable through June 2038. For Fiscal Year 2015, principal and interest paid were \$1,745,000, and \$3,843,975 respectively.

On October 9, 2008, in connection with the Series 2007 Bonds, the Series 2008 Bonds were issued in the amount of \$84,965,000 with interest rates ranging from 4.000% to 5.625%. Proceeds from this issue were used to (i) finance, or reimburse SAFCA for the cost of flood control facilities consisting of a series of levee and other flood control improvements to be acquired and constructed in and for the District, (ii) pay the cost of the Policy and two debt service reserve fund financial guaranty insurance policies for the credit of the Reserve Account and, (iii) pay the costs of issuance of the Series 2008 Bonds. Total principal and interest remaining on the Consolidated Capital Assessment District bonds, series 2008 is \$133,915,040 payable through June 2038. For Fiscal Year 2015, principal and interest paid were \$1,695,000 and \$4,124,831 respectively.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS, (Continued)

On March 27, 2012, the Sacramento Area Flood Control Agency issued \$38,000,000 of 2012 Consolidated Capital Assessment District Bonds with interest rates ranging from 3.000% to 5.250%. Proceeds from this issue were used to (i) finance a portion of the cost of certain flood control facilities consisting of a series of levee and other flood control improvements to be acquired and constructed for the District (ii) make a deposit to the Reserve Account and (iii) pay the costs of issuance of the Series 2012 Bonds. The bonds are secured and payable from the Consolidated Capital Assessments on a parity with the Series 2007 and 2008 Bonds, subject to the satisfaction of the conditions specified in the Resolution. The Agency has covenanted that, so long as any Bonds are outstanding, it will annually levy the maximum amount in each fiscal year through 2037-2038 the Consolidated Capital Assessments against all Assessable Land in the District. The collection of the Consolidated Capital Assessments should be equal to at least one hundred ten percent (110%) of the annual debt service. The Series 2012 Bonds maturing on or after October 1, 2021, are subject to optional redemption by the Agency. The Series 2012 Bonds maturing on October 1, 2030, and October 1, 2037, are subject to mandatory sinking fund redemption by the Agency. Total principal and interest remaining on the Consolidated Capital Assessment District bonds, series 2012 is \$58,517,092 payable through October 2037. For Fiscal Year 2015, principal and interest paid was \$1,005,000 and \$1,657,319 respectively.

For Fiscal Year 2015, the total assessment revenues collected for the 2007, 2008, and 2012 Consolidated Capital Assessment District Bonds is \$18,206,766.

On May 28, 2014, the Sacramento Area Flood Control Agency issued \$35,350,000 of 2014 Natomas Basin Local Assessment District Bonds with interest rates ranging from 2.000% to 5.000%. Proceeds from this issue were used to (i) prepay the outstanding amount of the Agency's Bond Anticipation Notes, Series 2011 (ii) finance a portion of the cost of certain flood control facilities consisting of a series of levee and other flood control improvements to be acquired and constructed under and pursuant to the Act (iii) pay the cost of the Policy and a debt service reserve fund insurance policy and (iv) pay the costs of issuance of the Series 2014 Bonds. The bonds are secured by NBLAD assessments levied by the Agency on property in the Agency's Natomas Basin Local Assessment District. The Agency has covenanted that, so long as any Bonds are outstanding, it will annually levy in each Fiscal Year, through Fiscal Year 2052-2053, the NBLAD Assessments against all Assessable Land in the District not to exceed the maximum rates specified in the Final Engineer's Report for the District dated April 28, 2011. The collection of the Natomas Basin Local Assessment District Assessments should be equal to at least one hundred ten percent (110%) of the annual debt service.

The Series 2014 Bonds maturing on or after October 1, 2025, are subject to optional redemption by the Agency. The Series 2014 Bonds maturing on October 1, 2039, and October 1, 2044, are subject to mandatory sinking fund redemption by the Agency. Total principal and interest remaining on the Natomas Basin Local Assessment District bonds, series 2014 is \$68,017,775 payable through October 2044. For Fiscal Year 2014 no principal or interest payments were made. For Fiscal Year 2015, interest paid and total revenues collected \$1,396,149, and \$2,707,171, respectively.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – LONG-TERM OBLIGATIONS, (Continued)

Changes in long-term obligations for the fiscal year ended June 30, 2015 were as follows:

	July 1, 2014 <u>Balance</u>	<u>Decrease</u>	June 30, 2015 <u>Balance</u>	<u>Due within one year</u>
1996 Local Assessment District Bonds	\$ 3,320,000	\$ (200,000)	\$ 3,120,000	\$ 210,000
2007 Local Assessment District Bonds	78,160,000	(1,745,000)	76,415,000	1,825,000
2008 Local Assessment District Bonds	77,430,000	(1,695,000)	75,735,000	1,765,000
2012 Local Assessment District Bonds	37,020,000	(1,005,000)	36,015,000	1,035,000
2014 Local Assessment District Bonds	<u>35,350,000</u>	<u>-</u>	<u>35,350,000</u>	<u>565,000</u>
Subtotal	231,280,000	(4,645,000)	226,635,000	5,400,000
Deferred Amounts:				
2008 Issuance Discount	(1,133,856)	47,244	(1,086,612)	(47,244)
2007 Issuance Premium	1,484,875	(134,988)	1,349,887	134,989
2012 Issuance Premium	2,413,920	(103,454)	2,310,466	103,454
2014 Issuance Premium	<u>4,086,773</u>	<u>(135,100)</u>	<u>3,951,673</u>	<u>135,100</u>
Total	<u>\$ 238,131,712</u>	<u>\$(4,971,298)</u>	<u>\$ 233,160,414</u>	<u>\$ 5,726,299</u>

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment every five years. The potential liability, if any, to be paid April 2017 will fluctuate based upon the stream of construction draw downs and changing investment yields. As of June 30, 2015, SAFCA has no arbitrage liability.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 8 – OPERATING LEASES

SAFCA entered into a lease agreement on August 15, 2013 for office and storage space. The lease term is for 68 months starting March 1, 2014. The lease allows SAFCA two (2) five (5) year extensions with 360 day notice prior to expiration. The agreement does not have an early termination clause.

The agreement provided for no rent for the first eight months to be reduced by any excess cost of construction to be paid by the Lessee. The final Lessee cost was \$37,973 and resulted in the rent free period to be reduced to five months and a reduced rental payment. Full rental payments will begin with month seven of the lease. The annual rate increase under the lease is 2.70% per year for office space and 5.00% per year for storage space.

Rent expense is amortized using the straight line method over the life of the lease.

Rental expenditures for the year ended June 30, 2015 were \$179,431.

The future minimum rental payments required under the operating lease is as follows

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 216,197
2017	222,217
2018	228,244
2019	234,277
2020	78,763
Total	<u>\$ 979,698</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2015, the County of Sacramento, a related party, owed SAFCA \$117,558 for interest earned on Treasury Deposits, \$9,895 in assessments collected, and \$13,924 for development impact fees collected. SAFCA owed the county \$204,375 for interest income that was over-allocated in prior years and \$7,062 for other expenses. In addition, some of SAFCA’s employees were employees of the County and City. SAFCA uses other County departments for other services, such as risk management, engineering, accounting, etc. Amounts paid to the County and City during the year for Public Protection and Public Ways and Facilities were \$689,681 and \$2,022,120 respectively. As of June 30, 2015, SAFCA owed the City of Sacramento \$394,044 for payroll related expenses. The City owed SAFCA \$292,104 for development impact fees collected.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2015, SAFCA has nine open construction contracts. These construction contracts are expected to be completed by June 30, 2016. These contracts are cancelable at any time, with cause, upon five days written notice by the Board. The total amount of construction commitments in the Capital Projects Fund is approximately \$3,289,521 and is reported in the restricted fund balance.

Claims

SAFCA has received claims from contractors, of ongoing levee construction contracts, for unexpected costs resulting from an increased water table. Under contract law, claims cannot be filed until after the contract is completed. Except as noted below management does not believe any other significant claims exist.

Litigation

SAFCA is involved in various claims and litigation, which is considered normal to SAFCA's regional planning activities. In the opinion of SAFCA's management, SAFCA does not believe the ultimate resolution of these matters will have an adverse material effect on SAFCA's financial position. It is possible the ultimate loss, if any, may be higher and may be partially offset by reimbursement provisions in the Early Implementation Program (EIP) contract with the California Department of Water Resources. Under the Early Implementation Program contract, the California Department of Water Resources reimburses for its share of eligible project costs provided that SAFCA meets the terms of the funding agreement.

Conveyance of Land

Several parcels of land and permanent easements acquired with funds from the Early Implementation Program, for the construction of levee projects are to be conveyed to the State of California. SAFCA will retain portions of affected parcels. The transfer of property titles are expected to start occurring in the Fiscal Year ending June 30, 2016.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 11 – RISK MANAGEMENT

SAFCA 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. SAFCA reports all of its risk management activities in its General Fund. SAFCA purchases commercial insurance for property damage and liability through an insurance agent, who obtains the appropriate insurance coverage needed by SAFCA from insurance companies. In addition, SAFCA participates in the County’s self-insurance program for workers’ compensation and employer’s liability. Annual premiums are based primarily on claims experience. Premiums paid for future accounting periods are recorded as a prepaid expense.

SAFCA deductibles and maximum coverage follows:

Coverage	Limits	Deductibles/SIR	Carrier	Effective Date	Policy Number or Memorandum Number
General Liability, Public Officials Liability and Automobile Liability	(1) \$25,000,000 Occurrence and Aggregate	\$100,000 SIR applies to General Liability, Public Officials Liability and Automobile Liability	(1) CSAC Excess Insurance Authority (2) Various Insurers	7/1/14 – 7/1/15	(1) EIA-PE 14 EL 62
	(2) \$25,000,000 OEL			7/1/14 – 7/1/15	(2) PK1019614
	Total \$50,000,000				
Workers’ Compensation and Employer’s Liability (As Applicable)	WC - Statutory Employers’ Liability \$5,000,000	\$3,000,000 SIR	CSAC Excess Insurance Authority	7/1/14 – 7/1/15	EIA 14 EWC - 30
Property All Risk	\$7,822,623	\$1,000	Lexington Insurance	7/1/14 – 7/1/15	PPROP1415
Boiler and Machinery (Included in Property Policy)	Included	\$2,500	Included	Included	PPROP1415

During the past three fiscal years, there were no instances of settlements, which exceeded insurance coverage and no significant reductions in insurance coverage.

NOTE 12 – DEFERRED INFLOWS OF RESOURCES – UNAVAILABLE REVENUES

Deferred inflows resulting from unavailable revenue increased significantly this year resulting from revenues earned under the Early Implementation Plan with the California Department of Water Resources but not expected to be collected in the next 365 days. The amount due from DWR for unavailable revenue increased \$8.4 million since June 30, 2014 going from \$4.7 to \$13.1 million.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 – PERSONNEL

As of June 3, 2015 the employees, working on behalf of SAFCA, were transferred from the City of Sacramento to SAFCA pursuant to Resolutions 2013-082 and 2013-084. Prior to this, SAFCA had contracted for payroll services from the City of Sacramento and the County of Sacramento. The County of Sacramento employee did not transfer to SAFCA and no longer works for or on behalf of SAFCA.

NOTE 14 – FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 72.

This GASB is not effective until Fiscal Year 2015-2016. GASB Statement No. 72, *Fair Value Measurement and Application*. SAFCA has not yet determined the effect of this standard on the financial statements.

GASB Statement No. 73.

This GASB is not effective until Fiscal Year 2016-2017. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. SAFCA has not yet determined the effect of this standard on the financial statements.

GASB Statement No. 74.

This GASB is not effective until Fiscal Year 2016-2017. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. SAFCA has not yet determined the effect of this standard on the financial statements.

GASB Statement No. 75.

This GASB is not effective until Fiscal Year 2017-2018. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. SAFCA has not yet determined the effect of this standard on the financial statements.

GASB Statement No. 76

This GASB is not effective until Fiscal Year 2015-2016. GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. SAFCA has not yet determined the effect of this standard on the financial statements.

GASB Statement No. 77

This GASB is not effective until Fiscal Year 2016-2017. GASB Statement No. 77, *Tax Abatement Disclosures*. SAFCA has not yet determined the effect of this standard on the financial statements.

NOTE 15 – SUBSEQUENT EVENTS

On October 15, 2015, SAFCA sold \$16,500,000 of subordinated bonds, at a premium, that generated approximately \$17,220,000 in proceeds.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Special benefit assessments	\$ 6,300,000	\$ 6,300,000	\$ 6,248,599	\$ (51,401)
Intergovernmental	-	-	-	-
Interest and Other Income	20,000	20,000	23,278	3,278
Total revenues	<u>6,320,000</u>	<u>6,320,000</u>	<u>6,271,877</u>	<u>(48,123)</u>
EXPENDITURES				
Current:				
Public protection	8,378,909	8,378,909	5,399,519	2,979,390
Miscellaneous	-	-	65,393	(65,393)
Total expenditures	<u>8,378,909</u>	<u>8,378,909</u>	<u>5,464,912</u>	<u>2,913,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,058,909)</u>	<u>(2,058,909)</u>	806,965	<u>2,865,874</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfer Out	(403,000)	(403,000)	(392,795)	10,205
Total other financing sources (uses)	<u>(403,000)</u>	<u>(403,000)</u>	<u>(392,795)</u>	<u>10,205</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	<u><u>\$ (2,461,909)</u></u>	<u><u>\$ (2,461,909)</u></u>	414,170	<u><u>\$ 2,876,079</u></u>
Basis adjustment:				
Encumbrances			<u>86,881</u>	
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)			<u><u>\$ 501,051</u></u>	

See note to the required supplementary information.

**SACRAMENTO AREA FLOOD CONTROL AGENCY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – BUDGET

The Sacramento Area Flood Control Agency’s budget for the general fund is prepared on the budgetary basis of accounting. Encumbrances not liquidated in the current year are added to the subsequent-year budget for reporting and control purposes.

Encumbrances, which are commitments related to the future purchase of goods or services, are recorded in the General Fund. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as restricted, committed or assigned fund balance for subsequent-year expenditures.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a budgetary basis and are used as a management control device for the General Fund. All annual appropriations lapse at fiscal year-end. The Director of Administration prepares and submits a proposed budget to the Board of Directors in May for review. After reviewing the proposed budget and making such revisions as it may deem advisable, a final budget is prepared and adopted no later than the June board meeting. Revisions to the adopted budget must be presented to the Board of Directors by the Director of Administration and approved by resolution.



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

To the Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sacramento Area Flood Control Agency (SAFCA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SAFCA's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California

November 30, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH BOND COVENANTS**

Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sacramento Area Flood Control Agency (SAFCA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SAFCA's basic financial statements and have issued our report thereon dated November 30, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that SAFCA failed to comply with the provisions of the Series 1996 Subordinated Operation and Assessment District No. 1 Bond Agreement, Resolution 96-266, Article V, Sections 5.01 to 5.10, the Series 2007, 2008, and 2012 Consolidated Capital Assessment District Bonds, Resolution No. 07-052, Article VII, Sections 7.01 to 7.11, and the Series 2014 Natomas Basin Local Assessment District Bonds, Resolution No. 2014-033, Article VII, Sections 7.01 to 7.12, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding SAFCA's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use management of SAFCA and its Board of Directors and it not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
November 30, 2015