SACRAMENTO AREA FLOOD CONTROL AGENCY

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

For the Fiscal Year Ended June 30, 2020

Certified
Public
Accountants

SACRAMENTO AREA FLOOD CONTROL AGENCY
For the Fiscal Year Ended June 30, 2020

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MGO Certified Public Accountants

Independent Auditor's Report

Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sacramento Area Flood Control Agency (SAFCA), as of and for the fiscal year ended June 30, 2020, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2020, and the respective changes in financial position for the fiscal 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, the schedule of revenues, expenditures and changes in fund balance – General Fund – budget and actual, the schedule of SAFCA's proportionate share of the net pension liability, the schedule of SAFCA's pension contributions, the schedule of changes in the net OPEB liability and related ratios, and the schedule of SAFCA's OPEB contributions, 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.

Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Macias Gini & O'Connell LLP

Sacramento, California
December 18, 2020

SACRAMENTO AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 fiscal year ended June 30, 2020.

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

Financial Highlights

- The liabilities and deferred inflows of resources of SAFCA exceeded its assets and deferred outflows of resources at June 30, 2020 by $(102,872,909) (*net position*). Of this amount, $116,637,959 was invested in capital assets and $291,913 was restricted for the Hansen Ranch Project. The unrestricted net position for the current fiscal year amounted to $(219,802,781) and is negative due to the fact that SAFCA issued bonds to improve existing levees and other flood control facilities, but the facilities are owned by other entities.

- SAFCA's total net position increased by $741,818 during fiscal year 2019-2020 due to the increased reimbursements received as related to the Urban Flood Risk Reduction (UFFR) program and other contributions from other agencies.

- As of the 2019-2020 fiscal year, SAFCA's governmental funds reported ending fund balances of $174,133,533, an increase of $31,412,853 in comparison with the prior year. The increase in fund balance is primarily due to the issuing of new bonds. SAFCA issued the 2020 Series Bonds with a par value of $57,110,000.

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) 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, liabilities, and deferred inflow of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SAFCA is improving or deteriorating.

The *statement of activities* presents information showing how SAFCA'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 capital 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 11-12 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. SAFCA's Operations and Maintenance Assessment District No. 1 acts as their General 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 13-14 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 15-39 of this report.

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 and deferred inflows of resources exceeded assets and deferred outflows of resources by $102,872,909 at the end of June 30, 2020. 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, but the related capital improvements are owned by other governmental entities.

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

The current and other assets increased by $34,377,998 (22%), which comprised primarily of an increase in cash and investments from the 2020 series Bonds. Total liabilities increased by $65,252,794 (18%) due to an increase in long-term obligations for the 2020 series Bonds. Total net investment in capital assets increased $32,945,241 (39%) due to the purchase of land related to the Capital Projects Fund.

Condensed Statement of Net Position
June 30,

	2020	2019
Assets:		
Current and other assets	$ 189,740,729	$ 155,362,731
Capital assets, net	116,637,959	83,692,718
Total assets	306,378,688	239,055,449
Deferred outflows of resources	11,964,365	13,215,797
Liabilities:		
Current and other liabilities	15,201,859	13,499,274
Long-term obligations	405,720,392	342,170,183
Total liabilities	420,922,251	355,669,457
Deferred inflows of resources	293,711	216,516
Net position:		
Net investment in capital assets	116,637,959	83,692,718
Restricted for:		
Endowment-expendable	201,570	194,355
Endowment-nonexpendable	90,343	90,343
Unrestriced	(219,802,781)	(187,592,143)
Total net position	$ (102,872,909)	$ (103,614,727)

Governmental Activities

- For the fiscal year ended June 30, 2020, current year operations increased SAFCA's net position by $741,818. SAFCA's net position has increased in fiscal year 2020 due to the increased reimbursements received as related to the UFFR program and other contributions from other agencies.

The following is a summary of SAFCA's Statement of Activities for the fiscal years ended June 30, 2020 and 2019:

Condensed Statement of Activities
Fiscal years Ended June 30,

	2020	2019
Program revenues:		
Charges for services	$ 71,621,136	58,135,581
Capital grants and contributions	1,962,590	4,644,778
Total program revenues	73,583,726	62,780,359
General revenues:		
Interest and other income	3,623,937	4,025,237
Total revenues	77,207,663	66,805,596
Expenses:		
Public protection	8,398,693	6,882,024
Public ways and facilities	52,575,644	55,595,056
Interest on long-term debt	15,491,508	14,809,734
Total expenses	76,465,845	77,286,814
Changes in net position	741,818	(10,481,218)
Net position (deficit), beginning of year	(103,614,727)	(93,133,509)
Net position (deficit), end of year	$ (102,872,909)	(103,614,727)

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

- Charges for services increased by $13,485,555 (23%) during the year due to increased revenue for the UFFR program and the Early Implementation Program (EIP) from DWR.

- Capital grants and contributions decreased by $2,682,188 (58%) during the year due to less revenue received from Reclamation District 1000.

- Interest and other income decreased by $401,300 (10%) during the year primarily due to reduced investments of the Consolidated Capital Assessment District (CCAD) No. 2 Bonds proceeds and decreasing market rate returns.

- Public protection increased by $1,516,669 (22%) during the year primarily due to the increase in pension expense and work on project Lower Dry Creek for fence rehabilitation and land improvement maintenance services.

- Public ways and facilities expenses decreased by $3,019,412 (5%) during the year due to a decrease in infrastructure-drainage costs.

Financial Analysis of the Governmental 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.

As of June 30, 2020, SAFCA's governmental funds reported combined fund balances of $174,133,533, an increase of $31,412,853 (22%) in comparison with the prior year. $389,932 or less than 1 percent of the total fund balance is nonspendable due to a trust agreement regarding Hansen Ranch, as well as prepaid expenses. The remaining 99 percent or $173,743,601 is available to meet SAFCA's current and future needs. $37,243,638 is restricted for debt service payments, $123,058,161 is restricted for capital projects, $201,570 is restricted for Hansen Ranch vernal pool projects, $1,597,200 is assigned for pension obligations, and the remaining $11,643,032 of unassigned fund balances can be used for any of SAFCA's needs.

The **General Fund** is the chief operating fund of SAFCA. As of June 30, 2020, the unassigned fund balance of the General Fund was $11,643,032 while the total fund balance was $13,831,734. 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 151 percent of total General Fund expenditures, while total fund balance represents 180 percent of that same amount. The fund balance of SAFCA's General Fund increased by $1,491,955 during fiscal year 2020. The increase is due to the assignedcontribution to future pension obligations.

The **Capital Projects Fund** consists of all SAFCA capital projects. As of June 30, 2020, total fund balance was $123,058,161. The Capital Projects Fund consists of all the capital assessment districts and the development impact fee funds. The purpose of these projects is to 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 level of flood protection (200-year or greater) for the Sacramento area. The fund balance increased by $18,878,573 (18%) during fiscal year 2020 due to a decrease in expenditures related to SAFCA's project in the Natomas Basin and projects covered by the Development Impact Fund.

The **Debt Service Fund** has a total fund balance of $37,243,638 all of which is restricted for the payment of debt service. The fund balance increased by $11,042,325 (42%) during fiscal year 2020. The increase is due to the surplus remaining after the debt service payments not being transferred to the surplus or operation funds.

The following table compares the revenues and expenditures for fiscal years 2020 and 2019 along with the net change from 2019 to 2020, for total governmental funds.

Total Governmental Funds	**FY 2020**		**FY 2019**		**Increase/(Decrease)**	
Revenues by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Special benefit assessments	$ 6,365,576	8.5%	6,169,964	7.7%	195,612	3.2%
Special capital assessments	30,779,920	40.9%	30,222,844	37.8%	557,076	1.8%
Aid from other governments	25,799,183	34.3%	31,731,976	39.7%	(5,932,793)	-18.7%
Intergovernmental	1,962,590	2.6%	750,000	0.9%	1,212,590	161.7%
Development impact fees	6,799,011	9.0%	7,113,148	8.9%	(314,137)	-4.4%
Interest and other income	3,623,937	4.7%	4,025,237	5.0%	(401,300)	-10.0%
Total revenues	$ 75,330,217	100.0%	80,013,169	100.0%	(4,682,952)	-5.9%
Expenditures by Function						
Public protection	$ 7,692,314	6.7%	7,100,069	8.0%	592,245	8.3%
Public ways and facilities	86,346,495	75.5%	61,223,448	69.0%	25,123,047	41.0%
Principal on long-term debt	5,510,000	4.8%	5,415,000	6.1%	95,000	1.8%
Interest on long-term debt	14,865,829	13.0%	15,029,043	16.9%	(163,214)	-1.1%
Total expenditures	$ 114,414,638	100.0%	88,767,560	100.0%	25,647,078	28.9%

Aid from other governments decreased by $5,932,793 due to timing and revenue recognition from UFFR and EIP programs. Intergovernmental revenue increased due to an agreement with a local government for a local project. Development impact fees decreased by $314,137 primarily due to a decrease in development fees attributable to the economic impact of COVID-19. Interest and other income decreased by $401,300 due to a decrease in investment rates of return and a smaller balance of funds from CCAD No. 2. Public protection expenditures increased by $592,245 due to an increase in operating and maintenance costs. Public ways and facilities expenditures increased by $25,123,047 due to the American River Watershed Common Features (ARCF) 16 project.

General Fund Budgetary Highlights

During the year, actual revenues were higher than budgeted revenues by $114,726. Actual expenditures were less than budgetary estimates by $1,786,315, primarily due to conservative budgeting for potential programs and cost increases. Due to the nature of the operations and maintenance of the General Fund it is not always possible to budget for uncertainties and it is management's policy to maintain the budget based on potential program costs.

Capital Asset and Debt Administration

Capital Assets - SAFCA's investments in capital assets for its governmental activities as of June 30, 2020 amount to $116,637,959 (net of accumulated depreciation). This investment in capital assets includes land, permanent easements, infrastructure, and equipment. The total increase in the SAFCA's investment in capital assets for the current fiscal year was 39.4 percent, or $32,945,241. This increase was due to the purchase of permanent easements. SAFCA keeps records of all assets for governmental activities.

Schedule of Capital Assets
June 30,

	2020	2019
Land	$ 108,835,703	75,802,223
Permanent Easements	2,909,534	2,691,978
Equipment, infrastructure, net	4,892,722	5,198,517
Totals	$ 116,637,959	83,692,718

Additional information on SAFCA's capital assets can be found in Note 6 on page 25 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 $358,000,000. The majority of SAFCA's debt represents bonds secured by the assessment revenues of the CCAD II, Natomas Basin, and Operations and Maintenance Assessment Districts.

Summary of Outstanding Long Term Obligations
June 30,

	2020	2019
Local Assessment District Bonds	$ 358,000,000	306,400,000
Add: Premium on		
Bonds Payable	47,720,392	35,770,183
Totals	$ 405,720,392	342,170,183

Additional information on long-term debt can be found in Note 7 on pages 26-28 of the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budget

The fiscal year 2020-2021 Final Budget was adopted by SAFCA's Board of Directors on June 18, 2020. 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.

The proposed means, interfund transfers, of financing some of the $168,791,475 in total budgeted expenditures for fiscal year 2020-2021 includes:

- Estimated prior year fund balances $99,648,325
  - Operations and Maintenance Assessment District (O&M) Fund: $ 1,661,974
  - Development Impact Fees (DIF): $ 9,956,141
  - Natomas Basin Local Assessment District (NBLAD) Fund: $ 10,592,436
  - Consolidated Capital Assessment District No. 2 (CCAD) Fund: $ 77,437,774
- Anticipated Revenues $59,281,398
  - State Revenue: $ 49,660,748
  - Special District: $ 100,000
  - DIF Revenue: $ 6,724,809
  - Intergovernmental Revenue: $ 2,342,841
  - Interest Revenue: $ 450,000
  - Miscellaneous Revenue: $ 3,000
- Assessments $6,222,353
  - O&M: $ 6,200,000
  - NBLD Fund: $ 22,353

In addition, a transfer from reserves in the amount of $3,639,399 was needed to source the total appropriations of $168,791,475.

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 Jason D. Campbell, Deputy Executive Director, 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, 2020

ASSETS	
Current Assets:	
Cash and investments	$ 97,908,009
Cash and investments- PARS Trust	1,597,200
Interest receivable	829,383
Deposits with others	4,877,890
Prepaid expenses	299,589
Due from other governments	12,522,076
Restricted cash and investments	71,519,590
Total current assets	189,553,737
Prepaid bond insurance	186,992
Capital assets:	
Land	108,835,703
Permanent easements	2,909,534
Equipment, infrastructure, net of accumulated depreciation	4,892,722
Total capital assets, net	116,637,959
Total Assets	306,378,688
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	11,432,744
Deferred outflows related to OPEB	29,743
Deferred outflows related to pensions	501,878
Total Deferred Outflows of Resources	11,964,365
LIABILITIES	
Current liabilities:	
Warrants and accounts payable	9,406,771
Wages payable	104,183
Accrued interest payable	4,315,839
Accrued rent payable	4,711
Due to other governments	137,026
Total current liabilities	13,968,530
Compensated absences	322,855
Net OPEB liability	31,338
Net pension liability	879,136
Long-term debt obligations:	
Due within one year	9,597,174
Due in more than one year	396,123,218
Total long-term debt obligations	405,720,392
Total Liabilities	420,922,251
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	49,669
Deferred inflows related to pensions	244,042
Total Deferred Inflows of Resources	293,711
NET POSITION	
Net investment in capital assets	116,637,959
Restricted for:	
Hansen Ranch	201,570
Endowment:	
Nonexpendable - Hansen Ranch	90,343
Unrestricted	(219,802,781)
Total Net Position (Deficit)	$ (102,872,909)

See accompanying notes to the basic financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions/Programs:				
Public protection	$ 8,398,693	$ 6,365,576	$ -	$ (2,033,117)
Public ways and facilities	52,575,644	65,255,560	1,962,590	14,642,506
Interest on long-term debt	15,491,508	-	-	(15,491,508)
Total governmental activities	$ 76,465,845	$ 71,621,136	$ 1,962,590	(2,882,119)
General Revenues:				
Interest and other income				3,623,937
Change in net position				741,818
Net Position (Deficit), beginning of the year				(103,614,727)
Net Position (Deficit), end of the year				$(102,872,909)

See accompanying notes to the basic financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ 12,230,784	$ 48,666,573	$ 37,010,652	$ 97,908,009
Cash and investments- PARS Trust	1,597,200	-	-	1,597,200
Interest receivable	96,270	500,127	232,986	829,383
Deposits with others	-	4,877,890	-	4,877,890
Prepaid items	299,589	-	-	299,589
Due from other governments	-	12,522,076	-	12,522,076
Restricted cash and investments	289,507	71,230,083	-	71,519,590
Total assets	$ 14,513,350	$ 137,796,749	$ 37,243,638	$ 189,553,737
LIABILITIES				
Warrants and accounts payable	$ 440,407	$ 8,966,364	$ -	$ 9,406,771
Wages payable	104,183	-	-	104,183
Due to other governments	137,026	-	-	137,026
Total liabilities	681,616	8,966,364	-	9,647,980
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	5,772,224	-	5,772,224
FUND BALANCES				
Nonspendable:				
Hansen Ranch Endowment	90,343	-	-	90,343
Prepaid items	299,589	-	-	299,589
Restricted for:				
Capital projects	-	123,058,161	-	123,058,161
Debt Service	-	-	37,243,638	37,243,638
Hansen Ranch Vernal Pool Projects	201,570	-	-	201,570
Assigned:				
Pension	1,597,200	-	-	1,597,200
Unassigned	11,643,032	-	-	11,643,032
Total fund balances	13,831,734	123,058,161	37,243,638	174,133,533
Total liabilities, deferred inflows of resources and fund balances	$ 14,513,350	$ 137,796,749	$ 37,243,638	

Amounts reported for governmental activities in the statement of net position are different because:		
Prepaid bond insurance is not a current financial resource and therefore, is not reported in the governmental funds.		186,992
Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenue in the funds.		5,772,224
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		116,637,959
Deferred outflows of resources on refunding amounts		11,432,744
Deferred outflows of resources related to pensions		501,878
Deferred outflows of resources related to OPEB		29,743
Long term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated absences	$ (322,855)	
Accrued interest payable	(4,315,839)	
Accrued rent payable	(4,711)	
Net OPEB liability	(31,338)	
Net pension liability	(879,136)	
Bonds payable	(405,720,392)	(411,274,271)
Deferred inflows of resources related to OPEB		(49,669)
Deferred inflows of resources related to pensions		(244,042)
Net position of governmental activities		$ (102,872,909)

SACRAMENTO AREA FLOOD CONTROL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Special benefit assessments	$ 6,365,576	$ -	$ -	$ 6,365,576
Special capital assessments	-	125,016	30,654,904	30,779,920
Aid from other governments	-	25,799,183	-	25,799,183
Intergovernmental	532,302	1,430,288	-	1,962,590
Development impact fees	-	6,799,011	-	6,799,011
Interest and other income	431,848	2,428,715	763,374	3,623,937
Total revenues	7,329,726	36,582,213	31,418,278	75,330,217
EXPENDITURES				
Current:				
Public protection	7,692,314	-	-	7,692,314
Public ways and facilities	-	86,346,495	-	86,346,495
Debt service:				
Principal	-	-	5,510,000	5,510,000
Interest and fiscal charges	-	-	14,865,829	14,865,829
Total expenditures	7,692,314	86,346,495	20,375,829	114,414,638
Excess (deficiency) of revenues over (under) expenditures	(362,588)	(49,764,282)	11,042,449	(39,084,421)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,854,543	80	-	1,854,623
Transfers out	-	(1,854,499)	(124)	(1,854,623)
Bond issuing	-	57,110,000	-	57,110,000
Bond premium	-	13,387,274	-	13,387,274
Total other financing sources (uses)	1,854,543	68,642,855	(124)	70,497,274
NET CHANGES IN FUND BALANCES	1,491,955	18,878,573	11,042,325	31,412,853
Fund balances - Beginning of the year	12,339,779	104,179,588	26,201,313	
Fund balances - End of the year	$ 13,831,734	$ 123,058,161	$ 37,243,638	

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.		32,945,241
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,877,446
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.		
Change in prepaid bond insurance	$ 23,698	
Current year amortization of loss on refunding	(635,153)	
Change in OPEB related amounts	3,946	
Change in pension related amounts	(661,642)	
Change in compensated absences	(54,551)	
Change in accrued interest payable	(625,679)	
Change in accrued rent payable	5,868	
Current year amortization of bond premium	1,437,065	(506,448)
The issuance of long-term debt (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of bonds	(57,110,000)	
Bond Premium	(13,387,274)	
Repayment of Debt (Principal Reduction)	$ 5,510,000	(64,987,274)
Change in net position of governmental activities		$ 741,818

See accompanying notes to the basic financial statements.

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 Number (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. In fiscal year 2016 additional bonds were authorized and issued in the principal amount of $16,505,000.

SAFCA Development Impact Fee Program

The program was established by Resolution 09-010 on May 15, 2008, and becoming effective January 1, 2009. The purpose of the program is to augment the existing Consolidated Capital Assessment District (CCAD No. 1) 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.

NOTE 1 - REPORTING ENTITY (CONTINUED)

<u>SAFCA Natomas Basin Local Assessment District</u>

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.

<u>SAFCA Consolidated Capital Assessment District No. 2</u>

The district was established by Resolution No. 2016-108 adopted on October 20, 2016, as amended by Resolution No. 2016-114 adopted on November 3, 2016. The SAFCA Board of Directors authorized the issuance of bonds in the principal amount of $278,195,000. SAFCA formed CCAD No. 2 to amend and replace CCAD to increase funding capacity by extending annual assessment revenue collection period and updating the assessment methodology. All four series of SAFCA's bonds secured by the original CCAD assessments have been refunded. In 2020 SAFCA Board of Directors authorized the issuance of bonds in the principal amount of $57,110,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

<u>Government–wide Financial Statements</u>

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.

<u>Fund Financial Statements</u>

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2014, 2016 and 2020 revenue bonds. Through June 30, 2020, the Debt Service Fund funded all principal and interest payments scheduled.

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 funds for debt service payments and bond reserves; the remainder of SAFCA’s cash is held in the County’s cash and investment pool (as an involuntary participant) with other County funds. 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.

Investments are stated at fair value. However, the value of the pool shares in the County Treasurer’s investment pool that may be withdrawn is determined on an amortized cost basis, which approximates fair value.

Capital Assets

Capital assets are depreciated over their useful lives unless they are either inexhaustible or are infrastructure assets reported using the modified approach. Inexhaustible capital assets such as land, land improvements, and permanent easements are not depreciated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets may be sold, abandoned, or traded in for new assets. Assets which have been retired or disposed of must be removed from capital accounts including related accumulated depreciation.

For simplicity and consistency, the straight-line depreciation method (cost divided by useful life) is used for depreciation of all depreciable capital assets. In addition, it will be assumed that the capital assets will have no salvage value.

SAFCA uses the following asset classifications, thresholds, and useful lives:

Capital Asset	Threshold	Useful Life
Equipment	$5,000	5-10 years
Buildings and Improvements	$100,000	40 years
Land and Permanent Easements	N/A- Capitalize All	No useful life assigned for inexhaustible assets
Infrastructure	$3,000,000	40 years

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 XIIIA 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 (City), 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 of 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.

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.

Due from other governments totals $12,522,076 as of June 30, 2020 of which $2,954,103 is related to the Urban Flood Risk Reduction Agreement, $3,346,771 is related to the Early Implementation Plan with the California Department of Water Resources, $1,221,508 in development impact fees and $4,734,051 is due from the California Department of Water Resources for various reimbursements.

Deposits with others

Deposits with others in the capital projects fund, of $4,877,890, is related to a deposit with the State Treasury-Condemnation Fund for eminent domain.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then. Deferred outflows of resources consist of the loss incurred in refunding a prior bond issuance and deferred outflows related to pensions from changes in assumptions, differences between projected and actual investment earnings on pension plan investments, differences between employer's contributions and proportionate share of contributions and from contributions made subsequent to the measurement date and which will be recognized as a reduction of the net pension liability in the following year. As of June 30, 2020, the loss on debt refunding totaled $11,432,744, net of accumulated amortization. Amortization of the loss on debt refunding is computed using the straight-line method, over the remaining life of the related bond. The deferred outflows related to pensions as of June 30, 2020 is $501,878 and deferred outflows related to OPEB is $29,743.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. SAFCA has two items that qualify for reporting in this category. Deferred inflows related to pensions of $244,042 and deferred inflows related to OPEB of $49,669.

In addition to liabilities, the balance sheet of the governmental funds reports a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until that time. SAFCA has one item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues of $3,241,060 from the Early Implementation Program (EIP) and $2,531,164 from the Urban Flood Risk Reduction Agreement (UFRR). These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Bond Insurance

Bond insurance is required by the issuance of the 2014 and 2020 revenue bonds in lieu of making a reserve fund deposit. As of June 30, 2020, prepaid bond insurance totaled $186,992 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.

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and inflows of resources related to OPEB, and OPEB expense have been determined on the accrual basis of accounting. The OPEB Plan recognized benefit payments when due and payable in accordance with the benefit term.

Use of Estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value Measurements

SAFCA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

SAFCA is a participant in the Sacramento County Treasurer's Pool (County Pool). The County Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). Cash on deposit in the County Pool at June 30, 2020, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the County Pool, refer to the County of Sacramento Comprehensive Annual Financial Report, which is available on the County of Sacramento Auditor Controller Accounting and Financial Reporting webpage located at: https://finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx.

Fund Balance

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

NOTE 3 – FUND BALANCES AND NET POSITION

As of June 30, 2020, 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 SAFCA’s highest level of decision-making authority, SAFCA’s Board of Directors. Commitments may be changed or lifted only by SAFCA 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 SAFCA 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.

- *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.

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, 2020, consist of the following:

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, 2020, SAFCA’s cash and investments and restricted cash and investments totaled $169,427,599, of which $129,407,410 was held in the Treasurer’s pool, $40,020,189 was held by County Treasury as an investment designated for SAFCA. SAFCA also has $1,597,200 held in a Public Agency Retirement Services (PARS) trust for future pension obligations. SAFCA does not have a separate investment policy.

The County Treasurer’s investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code. The pool is not registered with the U.S Securities and Exchange Commission (SEC) as an investment company.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (Investment Policy). The Investment Policy is prepared by the Department of Finance and is based on criteria cited in the Government Code. The Investment Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The following table identifies investment types that are authorized by the California Government Code (Code) Section 53601 and the County's Investment Policy (Policy).

Authorized Investment Type	Maximum Maturity (per Code/per policy)	Maximum Percentage of Portfolio (per Code/per policy)	Maximum Investment in One Issuer (per Code/per policy)	Minimum Rating Per S&P/Moody's/Fitch per policy
U.S. Treasury and Agency Obligations	5 years	not specified/100%	--	A-1/P-1/F1*
Washington Supranational Obligations	5 years	30%	10%	A-1/P-1/F1*
Municipal Notes	5 years	not specified/80%	10%	SP-1/M1G1/FI
Registered State Warrants	5 years	not specified/80%	10%	--
Bankers' Acceptances	180 days	40%	10%	A-1/P-1/F1*
Commercial Paper	270 days	40%	10%	A-1/P-1/F1*
Negotiable Certificates of Deposit	5 years/180 days	30%	10%	--
CRA Bank Deposit/Certificates of Deposit	not specified/1 year	not specified/30%	10%	--
Repurchase Agreements	1 year	not specified/30%	10%	A-1/P-1/F1*
Reverse Repurchase Agreements	92 days	20%	10%	A-1/P-1/F1*
Medium-Term Corporate Notes	5 years/180 days	30%	10%	A-1/P-1/F1*
Collateralized Mortgage Obligations	5 years/180 days	20%	10%	A-1/P-1/F1*
Local Agency Investment Fund	not specified	None	--	A-1/P-1/F1*
Money Market Mutual Funds	not specified	20%	10%	A-1/P-1/F1*

*Per Investment Policy, the issuers short-term credit ratings shall be at or above A-1/P-1/F1 per Standard and Poor's (S&P), Moody's and Fitch, and the issuer's long-term credit ratings shall be at or above A/A2/A.

The County was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with the above cited Government Code sections.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or SAFCA'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.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

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.

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

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the County's Investment Policy, the dollar-weighted average maturity on all securities shall be equal to or less than three years. As of June 30, 2020, of the County's $5.1 billion in investments held by the Treasurer and $27 million held by fiscal agents, over 71 percent of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 293 days.

Investment Type	Amount	Weighted Average Maturity (in years)
Held with fiscal agent:		
U.S. Agency Notes	$ 40,020,189	0.230
Total	$ 40,020,189	

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The County is permitted to hold investments of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by Standard & Poor's and Moody's rating agencies. In addition, the County is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are not-rated.

Investment Type	Amount	Ratings as of June 30, 2020
Held with fiscal agent:		
U.S. Agency Notes	$ 40,020,189	P-1/A-1+
Total	$ 40,020,189	

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the amount of investment in a single issuer. U.S. Treasury and agency securities are considered to be of the best quality grade, as such, there is no limitation on amounts invested in U.S. Treasury or agency securities per California Government Code. Investments in any one issuer that represent five percent or more of SAFCA's total investments are shown below as of June 30, 2020. All of the investments are reported in the Capital Projects Fund.

Investment Type	Description	Amount	Percentage of portfolio
Federal Home Loan Bank Discount Notes	Government Securities	$40,020,189	100%

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, 2020, 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.

Fair Value Measurements

SAFCA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The SAFCA's assessment of the significance of particular inputs to these fair value measurements require judgements and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of $1 and not fair value. Accordingly, SAFCA's proportionate share of investments in the County Pool at June 30, 2020 of $129,407,410 is in an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following table summarizes SAFCA's investments within the value hierarchy at June 30, 2020:

Investments by fair value level	Amount	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Home Loan Bank Discount Notes	$ 40,020,189	-	40,020,189	-
Total debt securities	$ 40,020,189	-	40,020,189	-
Total Investments by fair value level	$ 40,020,189			

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transfers during the year ended June 30, 2020 are summarized as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Transfers In:	$ 1,854,543	80	-	1,854,623
Transfers Out:	-	(1,854,499)	(124)	(1,854,623)
Total	$1,854,543	(1,854,419)	(124)	-

A $1,854,499 interfund cost recovery transfer was made to the General Fund from the Capital Projects Fund for costs incurred during the year for capital projects related work but originally disbursed from the General Fund.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at 6/30/2019	Additions	Deletions	Balance at 6/30/2020
Capital assets, not being depreciated:				
Land	$ 75,802,223	33,033,480	-	108,835,703
Permanent easement	2,691,978	217,556	-	2,909,534
	78,494,201	33,251,036	-	111,745,237
Capital assets, being depreciated:				
Infrastructure	12,231,805	-	-	12,231,805
Equipment	35,932	-	-	35,932
Less accumulated depreciation	(7,069,220)	(305,795)	-	(7,375,015)
Total capital assets, being depreciated, net	5,198,517	(305,795)	-	4,892,722
Capital assets, net	$ 83,692,718	32,945,241	-	116,637,959

NOTE 7 – LONG-TERM OBLIGATIONS

Long-term obligations consist of the following at June 30, 2020:

Series 2014 Natomas Basin Local Assessment District Bonds due on October 1, 2019 through October 1, 2034 with interest at 5.000%. Bonds maturing after October 1, 2025 are subject to optional redemption.	$14,625,000
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.	9,945,000
Series 2016 Consolidated Capital Assessment District No. 2 Taxable Bonds Due October 1, 2019 through October 1, 2023 with interest rates ranging from 1.405% to 2.849%	16,035,000
Series 2016 Consolidated Capital Assessment District No. 2 Serial Bonds Due October 1, 2023 through October 1, 2036 with interest at 5.000%	103,205,000
Series 2016 Consolidated Capital Assessment District No. 2, 2041 Term Bonds Due October 1, 2037 through October 1, 2041 with interest at 5.000%	58,070,000
Series 2016 Consolidated Capital Assessment District No. 2, 2043 Term Bonds Due October 1, 2042 through October 1, 2043 with interest at 5.000%	27,495,000
Series 2016 Consolidated Capital Assessment District No. 2, 2047 Term Bonds Due October 1, 2044 through October 1, 2047 with interest at 5.000%	63,725,000
Series 2020 Consolidated Capital Assessment District No. 2, Serial Bonds Due October 1, 2020 through October 1, 2040 with interest rates ranging from 4.000% to 5.000%	36,245,000
Series 2020 Consolidated Capital Assessment District No. 2, 2043 Term Bonds Due October 1, 2041 through October 1, 2043 with interest at 4.000%	8,245,000
Series 2020 Consolidated Capital Assessment District No. 2, 2047 Term Bonds Due October 1, 2044 through October 1, 2047 with interest at 4.000%	12,620,000
Total long-term obligations	$358,000,000

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

The aggregate amount of debt service on long-term debt outstanding at June 30, 2020 is as follows:

Fiscal Years Ending June 30,	Principal	Interest
2021	$ 7,795,000	17,094,863
2022	6,815,000	16,821,169
2023	7,025,000	16,600,053
2024	7,260,000	16,311,620
2025	7,605,000	15,948,975
2026-2030	44,125,000	73,493,625
2031-2035	56,285,000	61,053,500
2036-2040	71,580,000	45,381,825
2041-2045	90,920,000	25,604,875
2046-2048	58,590,000	4,339,200
Total	$ 358,000,000	292,649,705

On May 28, 2014, SAFCA issued $35,350,000 of 2014 Natomas Basin Local Assessment District (NBLAD) Bonds with an interest rate of 5.000%. Proceeds from this issue were used to (i) prepay the outstanding amount of the SAFCA'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 SAFCA on property in the SAFCA Natomas Basin Local Assessment District. SAFCA 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 NBLAD 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 SAFCA. The Series 2014 Bonds maturing on October 1, 2039, and October 1, 2044, are subject to mandatory sinking fund redemption by SAFCA. Total principal and interest remaining on the NBLAD bonds, series 2014 is $56,594,500 payable through October 2044. For fiscal year 2020, principal and interest paid and total assessment revenues collected were $645,000, $1,634,125, and $2,923,190, respectively.

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

On October 20, 2016, SAFCA issued $252,495,000 Consolidated Capital Assessment District No. 2 (CCAD No. 2) Bonds with an interest rate of 5.000% and $25,700,000 (Federally Taxable) Consolidated Capital Assessment District No. 2 Bonds with interest rate ranging from 1.405% to 2.849%, pursuant to the Sacramento Area Flood Control Agency Act. The Series 2016 Bonds are secured by assessments levied by SAFCA on property in the SAFCA Consolidated Capital Assessment District No. 2. Proceeds of the Series 2016 Bonds were used to provide funds to (i) refund in full SAFCA's outstanding Capital Assessment District Bonds, Series 2007A, Series 2008, Series 2012, and Consolidated Capital Assessment District Subordinated Bonds, Series 2015, (ii) finance certain flood control facilities; (iii) pay the cost of a debt service reserve insurance policy to be issued by Assured Guaranty Municipal Corp.; (iv) fund capitalized interest on a portion of the Series 2016 Bonds through October 1, 2017; and (v) pay costs of issuance of the Series 2016 Bonds. The collection of CCAD No. 2 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 No. 2 Bonds, Series 2016 is $496,736,858 payable through June 2046. For fiscal year 2020, principal and interest paid and the total assessment revenues collected were $4,865,000, $13,065,874, and $27,727,618, respectively.

On March 25, 2020, SAFCA issued $57,110,000 Consolidated Capital Assessment District No. 2 Bonds with an average interest rate of 4.261%, pursuant to the Sacramento Area Flood Control Agency Act. The Series 2020 Bonds are secured by assessments levied by SAFCA on property in the SAFCA Consolidated Capital Assessment District No. 2. Proceeds of the Series 2020 were used to provide funds to (i) finance certain facilities, (ii) pay the cost of the Policy and a debt service reserve fund insurance policy and (iii) pay the costs of issuance of the Series 2020 Bonds. 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 No. 2 Bonds, Series 2020 is $97,318,347 payable through October 2047. For fiscal year 2020, no principal or interest payments were made.

Changes in long-term obligations for the fiscal year ended June 30, 2020 were as follows:

	July 1, 2019 Balance	Additions	Reductions	June 30, 2020 Balance	Due within one year
2014 Local Assessment District Bonds	$ 33,005,000	-	(645,000)	32,360,000	680,000
2016 Local Assessment District Bonds	273,395,000	-	(4,865,000)	268,530,000	4,950,000
2020 Local Assessment District Bonds	-	57,110,000	-	57,110,000	2,165,000
Subtotal	306,400,000	57,110,000	(5,510,000)	358,000,000	7,795,000
Deferred Amounts:					
2014 Issuance Premium	3,411,272	-	(135,099)	3,276,173	135,100
2016 Issuance Premium	32,358,911	-	(1,180,264)	31,178,647	1,180,264
2020 Issuance Premium	-	13,387,274	(121,702)	13,265,572	486,810
Total	$ 342,170,183	70,497,274	(6,947,065)	405,720,392	9,597,174

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 2023 will fluctuate based upon the stream of construction draw downs and changing investment yields. As of June 30, 2020, SAFCA has no arbitrage liability.

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. In October 2018, SAFCA exercised the first five (5) year option to extend the lease. In accordance with exercising the first option term, the lease extension will start on November 1, 2019 and expire on October 31, 2024, with all other terms and conditions to remain the same. By extending the lease agreement, the parties agreed that the monthly rate beginning November 2019 shall be $21,593 for the first 12 months and increase every year thereafter by $0.05 per sq. ft. The last month of the 60-month lease will be free. Rent expense is amortized using the straight-line method over the life of the lease. Rental expenditures for the year ended June 30, 2020 were $251,507.

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

Fiscal Years Ending June 30,	Amount
2021	$ 263,042
2022	268,931
2023	274,820
2024	280,709
2025	70,668
Total	$ 1,158,170

NOTE 9 – RELATED PARTY TRANSACTIONS

For the year ended June 30, 2020, the County of Sacramento, a related party, owed SAFCA $829,383 for interest earned on Treasury deposits and $2,146,158 in development impact fees and other fees collected. SAFCA uses other County departments for other services, such as risk management, engineering, accounting, etc.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2020, SAFCA has 14 open construction contracts. These contracts are cancelable at any time, with cause, upon five days written notice by the Board. The total amount of construction commitments of the Capital Projects Fund is approximately $4,189,068.

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.

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 the affected parcels. It is unknown when property titles will begin to get transferred, however there is a possibility for them to start occurring in the fiscal year ending June 30, 2021. The carrying value of the land parcels to be conveyed is not known as of June 30, 2020.

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 (2) $25,000,000 OEL Total $50,000,000	$100,000 SIR applies to General Liability, Public Officials Liability and Automobile Liability	(1) CSAC Excess Insurance Authority (2) Various Insurers	(1)7/1/19 - 7/1/20 (2)7/1/19 - 7/1/20	(1) EIA-PE 19 EL 62 (2) MAC1827267-06
Workers' Compensation and Employer's Liability (As Applicable)	WC - Statutory Employers' Liability $5,000,000	$3,000,000 SIR	CSAC Excess Insurance Authority	7/1/19 - 7/1/20	EIA 19 EWC - 30
Property All Risk	$8,340,120	$1,000	Lexington Insurance	7/1/19 - 7/1/20	APIP 1920
Boiler and Machinery (Included in Property Policy)	Included	$2,500	Included	Included	APIP 1920

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

In the governmental funds, SAFCA reports deferred inflows resulting from unavailable revenue under the Early Implementation Program and Urban Flood Risk Reduction Agreement with the California Department of Water Resources (DWR). The revenue is not expected to be collected in the next 365 days. The amount due from DWR for unavailable revenue increased by $1,877,446 since June 30, 2019, going from $3,894,778 to $5,772,224.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the SAFCA's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). SAFCA joined CalPERS in June 2015. Benefit provisions under the Plans are established by State statute and SAFCA resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: https://www.calpers.ca.gov/page/forms-publications.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013- Classic	On or after January 1, 2013 - PEPRA
Formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67	52-67
Required employer contribution rates	12.41%	7.86%
Required employee contribution rates	7.00%	7.00%

Contributions – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SAFCA is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

For the year ended June 30, 2020, employer contributions were $291,146.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, SAFCA reported its proportionate share of the net pension liability of $879,136.

SAFCA's net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using standard update procedures. SAFCA's proportion of the net pension liability is based on a projection of SAFCA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. SAFCA's proportionate share of the net pension liability measured as of June 30, 2019 was 0.0273 percent, an increase of 0.0020 percent from its proportion measured as of June 30, 2019.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, SAFCA recognized pension expense of $661,642. At June 30, 2020, SAFCA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 61,060	4,731
Changes in assumptions	41,921	14,861
Differences between projected and actual investment earnings on pension plan	-	15,370
Differences between employer's contibutions and proportionate share of contributions	-	209,080
Changes in proportion	107,751	-
SAFCA pension contributions made subsequent to measurement date	291,146	-
Total	$ 501,878	244,042

The amount of $291,146 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Years Ending June 30	
2021	$ 35,784
2022	(55,448)
2023	(16,751)
2024	3,105
	$ (33,310)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – The total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability was based on the following assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality[1]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies

(1) The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

***Long-term Expected Rate of Return* -** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The expected real rates of return by asset class are as followed:

Asset Class*	Assumed asset allocation	Real Return Years 1-10**	Real Return Years 11+***
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

* In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

** An expected inflation of 2.00% used for this period.

*** An expected finflation of 2.92% used for this period.

Discount Rate **-** The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** The following presents SAFCA's proportionate share of the net pension liability, calculated using the 7.15% discount rate, as well as what SAFCA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 1,538,536
Current Discount Rate	7.15%
Net Pension Liability	$ 879,136
1% Increase	8.15%
Net Pension Liability	$ 334,848

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

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in SAFCA's Public Employees' Medical & Hospital Care Act (PEMHCA) plan administered by the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit OPEB plan. This plan does not issue a stand-alone financial report. SAFCA joined PEMHCA in July 2015. Benefit provisions under PEMHCA are established by SAFCA resolution.

Benefits Provided – Employees hired after June 2, 2015 are eligible to receive the minimum required CalPERS monthly allowance for medical insurance after retirement. The actual employer contribution amount will be the amount required by CalPERS at the time of retirement. Some SAFCA employees currently are eligible to receive more than the CalPERS minimum. For these employees, the individual employment letter of agreement will document the methodology for providing a retirement health contribution as comparable to their existing benefit as possible.

Contribution Requirements – During the fiscal year ended June 30, 2020, SAFCA elected to participate in an irrevocable trust to provide a funding mechanism for retiree health benefits. The Trust, PARS Post-Employment Benefits Trust, is administrated and managed by the Public Agency Retirement Services (PARS). The actuarial valuation determined contributions of $24,660, and SAFCA made a contribution of $29,743 to the PARS Trust in fiscal year 2019-20.

Employees covered - At the June 30, 2019 the measurement date, the following numbers of participants were covered by the benefit terms:

Inactives entitled to but not yet receiving benefits	3
Active employees	16
Total	19

Net OPEB Liability **–** SAFCA's net OPEB liability of $31,338 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumption	June 30, 2019 Measurement Date
Actuarial Valuation Date	June 30, 2019
Salary Increases	Aggregate 3%, Merit - Tables from CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Discount Rate	5.75%
Inflation	2.75% annually
PEMHCA Minimum Increase	4.25% annually
Participation at Retirement	Eligible for PEMHCA Minimum: 50% Eligible for Alternative Benefit: 100%

Mortality rates were based on the Mortality Improvement Society of Actuaries Scale MP-2017.

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the CalPERS 1997-2015 Experience Study. The discount rate used was 5.75%, which changed from 3.87% in the prior year.

Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits through the Plan. The following was the long-term expected real rates of return, which are presented as geometric means.

Asset Class	Target Allocation PARS-Moderate	Expected Real Rate of Return
Global Equity	48%	4.82%
Fixed Income	45%	1.47%
Real Estate Investment Trust (REIT)	2%	3.76%
Cash	5%	0.06%
Total	100%	

Assumed long-term rate of inflation is 2.75%
Expected long-term net rate of return, rounded is 5.75%

Sensitivity of the Total OPEB liability to Changes in the Discount Rate – The following presents the total OPEB liability of SAFCA if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1.00% Decrease (4.75%)	Current Discount Rate (5.75%)	1.00% Increase (6.75%)
Net OPEB Liability	$ 56,380	$ 31,338	$ 10,560

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate – The following presents the total OPEB liability of SAFCA, as well as what SAFCA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Trend	1.00% Increase
Net OPEB Liability	$ 22,043	$ 31,338	$ 43,471

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Changes in Net OPEB Liability – During the year ended June 30, 2020, SAFCA made an additional payment of $29,743 to reduce its net OPEB liability. As the measurement period of the actuarial report was June 30, 2019, this additional payment was not reflected in the actuarial valuation, and therefore not included in the fiduciary net position. See below for the net OPEB liability as of June 30, 2020, with a measurement period of June 30, 2019:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/19 (6/30/18 Measurement Date)	$ 177,780	-	177,780
Changes for the year			
Service Cost	27,087	-	27,087
Interest	7,928	-	7,928
Actual vs expected experience	(17,801)	-	(17,801)
Assumption Changes	(19,048)	-	(19,048)
Contribution - employer	-	141,000	(141,000)
Net investment income	-	3,691	(3,691)
Administrative expenses	-	(83)	83
Net Changes	(1,834)	144,608	(146,442)
Balance at 6/30/20 (6/30/19 Measurement Date)	$ 175,946	144,608	31,338

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the fiscal year ended June 30, 2020, SAFCA recognized OPEB expense of ($3,946). At June 30, 2020, SAFCA reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	16,003
Changes of assumptions	-	31,716
Net difference between projected and actual earnings on plan investments	-	1,950
Employer contributions made subsequent to the measurement date	29,743	-
Total	$ 29,743	49,669

The amount of $29,743 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Fiscal Years Ending June 30	
2021	$ (8,048)
2022	(8,048)
2023	(8,048)
2024	(6,708)
2025	(4,300)
Thereafter	(14,517)
Total	$ (49,669)

NOTE 15 – FUTURE GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Commission's financial reporting process. Future new standards which may impact SAFCA include the following:

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year as postponed by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. SAFCA has not determined the effect of this Statement on its financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021, or 2021-2022 fiscal year as postponed by GASB Statement No. 95. SAFCA has not determined the effect of this Statement on its financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2019, or the 2020-2021 fiscal year as postponed by GASB Statement No. 95. SAFCA has not determined the effect of this Statement on its financial statements.

NOTE 15 – FUTURE GASB PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021, or 2022-2023 fiscal year as postponed by GASB Statement No. 95. SAFCA has not determined the effect of this Statement on its financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; (3) the applicability of Statements 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*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; (4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and (8) terminology used to refer to derivative instruments. This Statement is effective for reporting periods beginning after June 15, 2021, or 2021–2022 fiscal year as postponed by GASB Statement No. 95. SAFCA has not determined the effect of this Statement on its financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements (except paragraphs 13 and 14) of this statement are effective for reporting periods beginning after June 15, 2020. Paragraphs 13 and 14 have been postponed to reporting periods beginning after June 15, 2021 with the issuance of GASB Statement No. 95. The objective of this statement is to provide guidance to state and local governments on the transition away from existing Interbank Offered Rates (IBOR) to other reference rates. SAFCA has not determined the effect of this Statement on its financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022, or 2022-2023 fiscal year. SAFCA has not determined the effect of this Statement on its financial statements.

NOTE 15 – FUTURE GASB PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement is effective for reporting periods beginning after June 15, 2022, or 2022-2023 fiscal year. SAFCA has not determined the effect of this Statement on its financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for reporting periods beginning after June 15, 2021, or 2021-2022 fiscal year. SAFCA has not determined the effect of this Statement on its financial statements.

NOTE 16 – COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally. For the fiscal year ended June 30, 2020, SAFCA had a decrease of revenues collected from other governments as a result of COVID-19. At this time, SAFCA cannot estimate the full impact of COVID-19 on its future years' financial statements.

SACRAMENTO AREA FLOOD CONTROL AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Special benefit assessments	$ 6,300,000	$ 6,300,000	$ 6,365,576	$ 65,576
Intergovernmental	635,000	635,000	532,302	(102,698)
Interest and other income	280,000	280,000	431,848	151,848
Total revenues	7,215,000	7,215,000	7,329,726	114,726
EXPENDITURES				
Current:				
Public protection	9,478,629	9,478,629	7,692,314	1,786,315
Deficiency of revenues under expenditures	(2,263,629)	(2,263,629)	(362,588)	1,901,041
OTHER FINANCING SOURCES				
Transfers in	1,586,481	1,586,481	1,854,543	268,062
NET CHANGES IN FUND BALANCE	$ (677,148)	$ (677,148)	$ 1,491,955	$ 2,169,103

See notes to the required supplementary information.

SACRAMENTO AREA FLOOD CONTROL AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SAFCA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING DEFINED BENEFIT PENSION PLAN
LAST FIVE FISCAL YEARS*

	2020	2019	2018	2017	2016
SAFCA's proportion of the net pension liability	0.0273%	0.0253%	0.0202%	0.0189%	0.0016%
SAFCA's proportionate share of the net pension liability	$ 879,136	$ 768,472	$ 797,730	$ 656,080	$ 42,852
SAFCA's covered-employee payroll **	$ 2,054,827	$ 1,846,039	$ 1,732,171	$ 1,498,016	$ 124,835
SAFCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	42.78%	41.63%	46.05%	43.80%	34.33%
Plan fiduciary net position as a percentage of the total pension liability	77.73%	77.69%	75.39%	75.87%	78.40%
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Notes to Schedule:

*Fiscal year 2016 was the first year of implementation, therefore, only five years are shown.

*No Changes in assumptions: In the measurement period ended June 30, 2019 the discount rate was unchanged from 7.15% from the prior year ending June 30, 2018.

See notes to the required supplementary information.

SACRAMENTO AREA FLOOD CONTROL AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SAFCA'S PENSION CONTRIBUTIONS
COST SHARING DEFINED BENEFIT PENSION PLAN
LAST FIVE FISCAL YEARS*

	2020	2019	2018	2017	2016
Actuarially determined contributions	$ 291,146	$ 223,044	$ 203,862	$ 213,806	$ 179,319
Contributions in relation to the actuarially determined contributions	291,146	223,044	203,862	213,806	179,319
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll **	$ 2,130,594	$ 2,054,827	$ 1,846,039	$ 1,732,171	$ 1,498,016
Contributions as a percentage of covered-employee payroll	13.67%	10.85%	11.04%	12.34%	11.97%

Note to Schedule:

*Fiscal year 2016 was the first year of implementation, therefore, only five years are shown.

See notes to the required supplementary information.

SACRAMENTO AREA FLOOD CONTROL AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS*

	2020	2019	2018
Changes in Total OPEB Liability			
Service cost	$ 27,087	$ 27,837	$ 31,314
Interest	7,928	6,406	4,668
Actual vs. expected experience	(17,801)	-	-
Assumptions changes	(19,048)	(7,550)	(17,394)
Net changes	(1,834)	26,693	18,588
Total OPEB liability - Beginning	177,780	151,087	132,499
Total OPEB liability - Ending	175,946	177,780	151,087
Plan Fiduciary Net Position			
Contribution - employer	141,000	-	-
Net investment income	3,691	-	-
Administrative expense	(83)	-	-
Net changes	144,608	-	-
Plan fiduciary net position - Beginning	-	-	-
Plan fiduciary net position - Ending	144,608	-	-
Net OPEB liability - Beginning	177,780	151,087	132,499
Net OPEB liability - Ending	$ 31,338	$ 177,780	$ 151,087
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	82.19%	0.00%	0.00%
Covered-employee payroll **	$ 1,950,252	$ 2,465,898	$ 2,496,489
Net OPEB liability as a percentage of its covered-employee payroll	1.61%	7.21%	6.05%
Measurement date:	June 30, 2019	June 30, 2018	June 30, 2017

Note to Schedule:

* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**Covered payroll represents compensation for the fiscal year of the measurement period.

SACRAMENTO AREA FLOOD CONTROL AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SAFCA'S OPEB CONTRIBUTIONS
LAST TWO FISCAL YEARS*

	2020	2019
Actuarially determined contributions (ADC)	$ 24,660	$ 28,000
Contributions in relation to the ADC	29,743	141,000
Contribution deficiency (excess)	$ (5,083)	$ (113,000)
Covered-employee payroll **	$ 2,072,839	$ 1,950,252
Contributions as a percentage of covered-employee payroll	1.43%	7.23%

Note to Schedule:

* Fiscal year 2019 was the first year SAFCA had an actuarially determined contribution, therefore only two years are shown.

**Covered payroll represents compensation for the current fiscal year.

See notes to the required supplementary information.

NOTE 1 – BUDGET

SAFCA'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. The legal level of budgetary control is at the functional level.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Sacramento Area Flood Control Agency
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sacramento Area Flood Control Agency (SAFCA), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SAFCA's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAFCA's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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.

Macias Gini & O'Connell LLP

Sacramento, California
December 18, 2020

MGO Certified Public Accountants

Independent Auditor's 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 fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SAFCA's basic financial statements and have issued our report thereon dated December 18, 2020.

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 2014 Natomas Basin Local Assessment District Bonds, Resolution No. 2014-033, Article VII, Sections 7.01 to 7.12 and the Series 2016 and Series 2020 Consolidated Capital Assessment No. 2 Bonds, Resolution No. 2016-108, 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 is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Sacramento, California
December 18, 2020