

March 9, 2018
Sacramento, California

The Board of Trustees of the American River Flood Control District met in regular session in its office at 185 Commerce Circle, Sacramento, CA at 11:00 a.m. on Friday, March 9, 2018. In attendance were Trustee Holloway, Trustee Redway, Trustee Shah and Trustee Johns. Trustee Pavão was absent. Trustee Holloway presided. Also present from the District were General Manager (GM) Tim Kerr, Superintendent Ross Kawamura, Legal Counsel David Aladjem and Office Manager Malane Chapman. One member of the public was present.

Item No. 1 Public Comments on Non-Agenda Items: There were no comments on non-agenda items from members of the public.

Item No. 2 Approval of Consent Agenda Items: On a motion by Trustee Shah seconded by Trustee Johns, the Board unanimously approved Items 2a) Minutes of Regular Meeting on February 9, 2018, 2b) Approval of Report of Investment Transactions January 2018 (City Pool, LAIF, River City) and Treasurer's Certification and 2c) District Financial Reports: Statement of Operations (February 2018) and Cash Flow Report

Item No. 2d) Correspondence: CSDA Board of Directors Call for Nominations Seat A: Trustee Johns asked about Board's procedure with these types of nominations. Trustee Holloway asked if the Board had any nomination recommendations. On a motion by Trustee Shah seconded by Trustee Johns, the Board unanimously chose not to take any action on this item

Item No. 3 Accounts Payable and General Fund Expenses (February 2018): Trustee Shah requested clarification regarding payment to Richardson & Company. Trustee Holloway requested clarification regarding payments to Flail-Master and Hunt & Sons. Trustee Redway requested clarification on payment to Pape Machinery. Trustee Johns requested clarification on payment to SMUD. On a motion by Trustee Johns seconded by Trustee Shah, the Board unanimously approved payments on the Schedule of Accounts Payable (February 2018) of \$58,801.74 and General Fund Expenses of \$61,978.06 (total aggregate sum \$120,779.80).

Item No. 4 District Election 2018: On a motion by Trustee Shah seconded by Trustee Johns, the Board unanimously approved items 4a) Memorandum of Understanding (MOU) with Sacramento County Elections and 4b) Resolution 2018-04: Calling General Election with revisions.

Item No. 5 Two Rivers Trail Memorandum of Understanding (MOU) – Final Billing: GM discussed with the Board the project and payment. On a motion by Trustee Redway seconded by Trustee Johns, the Board unanimously approved to close out our invoice and discharged our obligations under the MOU.

Item No. 6 Draft FY 2016-17 Audit: The Board reviewed the draft audit. The Board requested a member from Richardson & Company LLP to attend the April meeting to present a final version of the audit. The report was received and filed by the Board. No action was taken on this item.

Item No. 7 SAFCA Agreement for Operation, Maintenance, Repair, Replacement & Rehabilitation for the North Sacramento Streams Levee Improvement Project: Trustee Holloway asked for clarification about Section I item A3. The report was received and filed by the Board. No action was taken on this item.

Item No. 8 Administrative Staff Reports:

a) *General Manager Tim Kerr reported on the following:*

- General Manager's February Meeting Summary;
- La Riviera Staging Area: Survey has been recorded;
- Timekeeping Software: Staff is researching Replicon;
- Hydrologic Conditions: Folsom Lake is 54% full, with an outflow of 1,859 cfs and the gauge at the I Street Bridge shows 7 feet above sea level;
- Next Board Meeting: April 13, 2018.

b) *Legal Counsel David Aladjem had nothing further to report.*

c) *Office Manager Malane Chapman:*

- Audio/Visual Meeting Recordings: Office Manger Chapman is researching options to audio record the meetings.
- Floor Tile Maintenance: Office Manager Chapman presented the Board a quote to have the floor tiles maintained and two area mats made to prevent further damage. The Board directed Office Manager to proceed.

Item No. 9 Operations and Maintenance Staff Reports:

a) *Superintendent Ross Kawamura reported on:*

- Crew activities including mowing, trash pickup, tree removal and gate repair.

Item No. 10 Questions and Comments by Trustees: There were no questions or comments by Trustees.

Item No 11 Adjourn: There being no further business requiring action by the Board, the meeting was adjourned by Trustee Holloway at 12:40 p.m.

Attest:

Secretary

President

**American River Flood Control District
Staff Report**

Investment Transactions Summary; February 2018

LAIF:

- There were no transactions in this account during the month of February.

City Pool A

- Accrued Interest Receivable for the month of February was \$11,290.05.
- As of February 28, 2018, the balance of Interest Receivable in this account was \$80,588.51.

Interest Receivable is accrued and transferred to the Cash Balance at the discretion of the City.

River City Bank:

- Total amount of Accounts Payable cleared during the month of February was \$121,211.07.
- On February 28, 2018 a monthly interest payment was deposited in the amount of \$72.50.

**American River Flood Control District
Investment Transaction Report
February 2018**

Item 2b

Balance and Transactions

Account		LAIF	City Pool A	River City Bank
Beginning Balance	2/1/18	\$441,189.24	\$7,267,268.07	\$1,226,735.30
Transactions				
City Pool A	2/28/18		11,290.05	
River City Bank Interest	2/28/18			72.50
Accounts Payable (cleared)				(121,211.07)
Ending Balance:	2/28/18	\$441,189.24	\$7,267,268.07	\$1,105,596.73

**City Pool A Interest is accrued and deposited in the account at the discretion of the City.

Interest

Date:	Mar 2017	Apr 2017	May 2017	June 2017
LAIF	0.82	0.88	0.88	0.98
City Pool A	1.47	1.56	1.42	1.55
River City Bank	0.25	0.25	0.25	0.20
Date:	July 2017	Aug 2017	Sep 2017	Oct 2017
LAIF	1.05	1.08	1.11	1.14
City Pool A	1.50	1.61	1.70	1.66
River City Bank	0.08	0.08	0.08	0.08
Date:	Nov 2017	Dec 2017	Jan 2018	Feb 2018
LAIF	1.17	1.24	1.35	1.41
City Pool A	1.46	1.71	1.65	2.01
River City Bank	0.08	0.08	0.08	0.08

**American River
Flood Control
District**

AMERICAN RIVER FLOOD CONTROL DISTRICT

MONTHLY REVIEW – FEBRUARY 2018

STRATEGY

The ARFCD funds are invested in the City of Sacramento’s Pool A investment fund. The Fund is invested pursuant to the objectives and requirements set forth in the City’s investment policy. The three objectives of the investment policy, in order of priority, are (1) the preservation of capital by the investment in safe instruments, (2) the liquidity needs of the City and pool participants so such parties will have access to cash when they need it, and (3) the maximizing of current income while remaining consistent with the other more important objectives. The City’s investment policy incorporates applicable provisions of state law including, among other things, the prudent person standard and California Code Section 53601 pertaining to eligible investments.

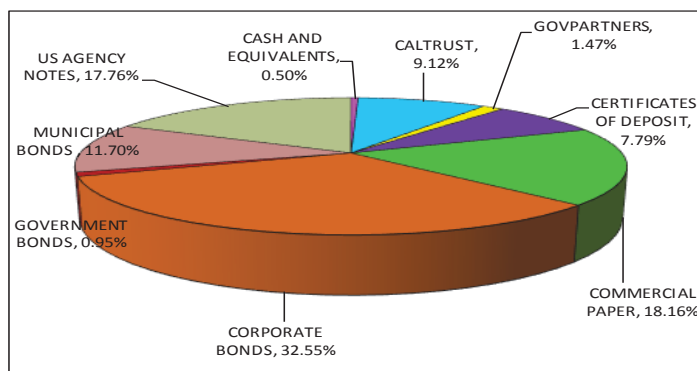
PORTFOLIO STATISTICS

Portfolio’s Beginning Balance	7,336,567
Contributions	0
Withdrawals	0
Interest Earned	11,290
Month-End Market Value	7,347,857

PERFORMANCE

Earned Interest Yield for the Month	2.01%
Laif Rate of Return (book value)	1.41%
90 Day T-Bill	1.53%
Federal Funds	1.40%

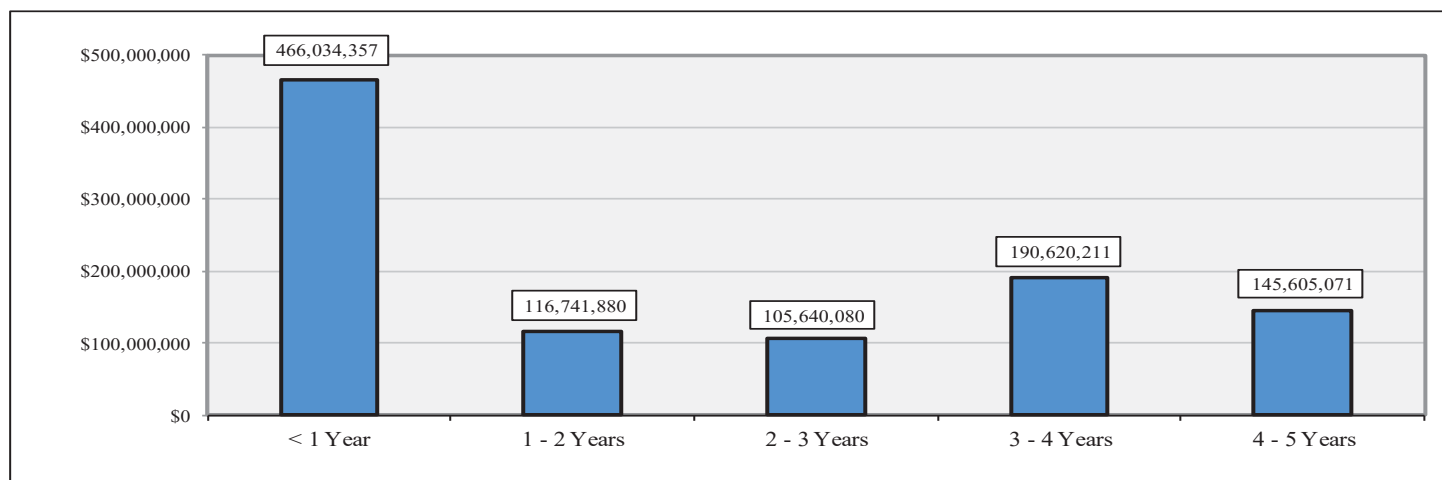
POOL A BY ASSET CLASS



POOL A MATURITY SCHEDULE

Maturity	Market Value	%
< 1 Year	466,034,357	45.49%
1 - 2 Years	116,741,880	11.39%
2 - 3 Years	105,640,080	10.31%
3 - 4 Years	190,620,211	18.60%
4 - 5 Years	145,605,071	14.21%
Total	1,024,641,599	100.00%

Investment Description	Portfolio at Cost	Yield at Month End
CASH AND EQUIVALENTS	0.50%	1.12%
CALTRUST	9.12%	1.51%
GOVPARTNERS	1.47%	1.54%
CERTIFICATES OF DEPOSIT	7.79%	1.76%
COMMERCIAL PAPER	18.16%	1.72%
CORPORATE BONDS	32.55%	2.07%
GOVERNMENT BONDS	0.95%	1.90%
MUNICIPAL BONDS	11.70%	1.98%
US AGENCY NOTES	17.76%	1.90%



City of Sacramento
 CASH LEDGER
American River Flood Control District
From 02-01-18 To 02-28-18

Item 2b

All Cash Accounts

Trade Date	Settle Date	Tran Code	Quantity	Security	Amount	Cash Balance
Pool A Interest Receivable						
02-01-18				Beginning Balance		69,298.46
02-28-18	02-28-18	in		Pool A Cash	11,290.05	80,588.51
				Feb 2018 estimated Pool A interest		
					11,290.05	
02-28-18				Ending Balance		80,588.51
Pool A Cash						
02-01-18				Beginning Balance		7,267,268.07
02-28-18				Ending Balance		7,267,268.07

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif/laif.asp

March 02, 2018

AMERICAN RIVER FLOOD CONTROL DISTRICT

DISTRICT ENGINEER/MANAGER
165 COMMERCE CIRCLE, SUITE D
SACRAMENTO, CA 95815

PMIA Average Monthly Yields

Account Number:

90-34-002

Tran Type Definitions

February 2018 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	441,189.24
Total Withdrawal:	0.00	Ending Balance:	441,189.24



River City Bank

WWW.RIVERCITYBANK.COM

PO Box 15247, Sacramento, CA 95851-0247

Return Service Requested

Item 2b



Last statement: January 31, 2018
This statement: February 28, 2018
Total days in statement period: 28

AMERICAN RIVER FLOOD CONTROL DISTRICT
4000 MAGNOLIA HILLS DR
EL DORADO HILLS CA 95762-6561

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0811100952
(0)

Direct inquiries to:
916-567-2836

Public Fund Interest Checking

Account number	0811100952	Beginning balance	\$1,226,735.30
Low balance	\$1,105,524.23	Total additions	72.50
Average balance	\$1,181,216.05	Total subtractions	121,211.07
Avg collected balance	\$1,181,216	Ending balance	\$1,105,596.73

DEBITS

Date	Description	Subtractions
02-01	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	2.10
02-02	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	38.72
02-05	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	9,318.09
02-15	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	29,196.29
02-16	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	33,118.28
02-20	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	9,968.89
02-21	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	1,388.52

AMERICAN RIVER FLOOD CONTROL DISTRICT
February 28, 2018

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0811100952

Date	Description	Subtractions
02-22	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	10,159.66
02-23	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	526.74
02-26	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	3,688.00
02-27	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	538.95
02-28	' Automatic Transfer TRANSFER TO DEPOSIT SYSTEM ACCOUNT XXXXXX0736	23,266.83

CREDITS

Date	Description	Additions
02-28	' Interest Credit	72.50

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
01-31	1,226,735.30	02-16	1,155,061.82	02-26	1,129,330.01
02-01	1,226,733.20	02-20	1,145,092.93	02-27	1,128,791.06
02-02	1,226,694.48	02-21	1,143,704.41	02-28	1,105,596.73
02-05	1,217,376.39	02-22	1,133,544.75		
02-15	1,188,180.10	02-23	1,133,018.01		

INTEREST INFORMATION

Annual percentage yield earned	0.08%
Interest-bearing days	28
Average balance for APY	\$1,181,216.05
Interest earned	\$72.50

OVERDRAFT/RETURN ITEM FEES

	Total for this period	Total year-to-date
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00



River City Bank

WWW.RIVERCITYBANK.COM

PO Box 15247, Sacramento, CA 95851-0247

Return Service Requested

Item 2b



Last statement: January 31, 2018
This statement: February 28, 2018
Total days in statement period: 28

AMERICAN RIVER FLOOD CONTROL DISTRICT
4000 MAGNOLIA HILLS DR
EL DORADO HILLS CA 95762-6561

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0811090736
(40)

Direct inquiries to:
916-567-2836

Public Fund Interest Checking

Account number	0811090736	Beginning balance	\$-2.10
Enclosures	40	Total additions	121,211.07
Low balance	\$0.00	Total subtractions	121,209.39
Average balance	\$0.00	Ending balance	\$-.42
Avg collected balance	\$0		

CHECKS

Number	Date	Amount	Number	Date	Amount
6227	02-02	38.72	6286	02-20	825.00
6266 *	02-20	114.05	6287	02-22	8,477.91
6267	02-16	25,948.61	6288	02-26	3,648.00
6268	02-20	126.65	6289	02-20	1,785.88
6269	02-21	38.91	6290	02-16	117.42
6270	02-20	712.34	6291	02-20	1,142.65
6271	02-20	163.30	6292	02-20	639.95
6272	02-20	493.62	6293	02-15	200.00
6273	02-16	350.00	6294	02-16	592.15
6274	02-20	274.42	6295	02-21	691.93
6275	02-20	842.03	6296	02-20	695.07
6276	02-20	140.00	6297	02-21	432.29
6277	02-15	536.00	6298	02-16	243.31
6278	02-23	202.81	6299	02-21	201.57
6279	02-23	143.93	6300	02-26	40.00
6280	02-20	675.61	6301	02-22	1,681.75
6281	02-20	1,043.20	6302	02-23	180.00
6282	02-15	1,263.38	6303	02-28	107.55
6283	02-28	494.52	6304	02-27	538.95
6284	02-20	142.17			
6285	02-21	23.82			

* Skip in check sequence

AMERICAN RIVER FLOOD CONTROL DISTRICT
February 28, 2018

DEBITS

Date	Description	Subtractions
02-05	' ACH Withdrawal CALPERS 3100 100000015164379	89.02
02-05	' ACH Withdrawal HEALTH EQUITY INC HealthEqui 180205	150.00
02-05	' ACH Withdrawal CALPERS 3100 100000015164340	151.92
02-05	' ACH Withdrawal CALPERS 3100 100000015137768	2,738.59
02-05	' ACH Withdrawal CALPERS 3100 100000015137807	979.24
02-05	' ACH Withdrawal CALPERS 1900 100000015186577	1,982.95
02-05	' ACH Withdrawal CALPERS 1900 100000015185113	3,226.37
02-15	' ACH Withdrawal INTUIT PAYROLL S QUICKBOOKS 180215 946000047	27,196.91
02-16	' ACH Withdrawal CALPERS 3100 100000015164379	979.24
02-16	' ACH Withdrawal CALPERS 1900 100000015207510	2,148.96
02-16	' ACH Withdrawal CALPERS 3100 100000015164340	2,738.59
02-20	' ACH Withdrawal HEALTH EQUITY INC HealthEqui 180220	152.95
02-28	' ACH Withdrawal INTUIT PAYROLL S QUICKBOOKS 180228 946000047	22,664.76
02-28	' Service Charge ADDITIONAL DEBITS	0.42

CREDITS

Date	Description	Additions
02-01	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	2.10
02-02	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	38.72
02-05	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	9,318.09

AMERICAN RIVER FLOOD CONTROL DISTRICT
February 28, 2018

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0811090736

Date	Description	Additions
02-15	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	29,196.29
02-16	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	33,118.28
02-20	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	9,968.89
02-21	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	1,388.52
02-22	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	10,159.66
02-23	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	526.74
02-26	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	3,688.00
02-27	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	538.95
02-28	' Automatic Transfer TRANSFER FROM DEPOSIT SYSTEM ACCOUNT XXXXXX0952	23,266.83

DAILY BALANCES

Date	Amount	Date	Amount	Date	Amount
01-31	-2.10	02-16	0.00	02-26	0.00
02-01	0.00	02-20	0.00	02-27	0.00
02-02	0.00	02-21	0.00	02-28	-0.42
02-05	0.00	02-22	0.00		
02-15	0.00	02-23	0.00		

INTEREST INFORMATION

Annual percentage yield earned	0.00%
Interest-bearing days	28
Average balance for APY	\$0.00
Interest earned	\$0.00

AMERICAN RIVER FLOOD CONTROL DISTRICT
February 28, 2018

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0811090736

OVERDRAFT/RETURN ITEM FEES

	Total for this period	Total year-to-date
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00

CERTIFICATION

The American River Flood Control District's investment portfolio [] is [is not] in compliance with the District's Financial Management Investments Plan.

The District's investment portfolio is not in compliance in the following respects:

A cash flow analysis confirms that the District [is] [is not] expected to be able to meet its expenditure requirements for the next six months.

The District's cash is insufficient to meet obligations for the next six months as a result of the following:

Attached hereto are the most recent statements of accounts of the following District accounts:

- LAIF Account, State Treasurer's Office **Dated February 2018**
- Investment Pool A Account, City of Sacramento **Dated February 2018**
- District Checking Account, River City Bank **Dated February 2018**
- District Repurchase Account, River City Bank **Dated February 2018**

Certified by: _____ Date: _____
Cyril Shah, District Treasurer

American River Flood Control District
Statement of Operations
July 1, 2017 to March 31, 2018 (Nine Months Ending of Fiscal 2018)
For Internal Use Only

	Year to Date July 1, 2017 to March 31, 2018	Budget	Percent of Budget
Revenues			
Benefit assessment	\$ 788,632	\$ 1,385,000	56.94%
Consolidated capital assessment	-	650,000	0.00%
Interest	85,023	75,000	113.36%
O & M agreements	-	225,000	0.00%
Miscellaneous	3,658	3,500	104.51%
Total Revenues	877,313	2,338,500	37.52%
M & O Expenses			
Salaries and wages	463,159	664,645	69.69%
Payroll tax expense	33,780	53,172	63.53%
Pension expense	88,955	124,602	71.39%
Compensation insurance	17,291	33,232	52.03%
Medical/dental/vision	138,909	189,474	73.31%
Fuel/oil reimbursement	12,660	30,000	42.20%
Equipment rental	26,531	6,500	408.17%
Equipment repairs/parts	23,614	40,000	59.04%
Equipment purchases (< \$5,000)	-	5,000	0.00%
Shop supplies	9,817	12,000	81.81%
Levee maint. (supp. & material)	5,406	17,000	31.80%
Levee maint. chemicals	12,341	20,000	61.71%
Levee maint. services	52,526	34,000	154.49%
Rodent abatement (supplies & materials)	6,615	10,000	66.15%
Employee uniforms	925	5,000	18.50%
Staff training	3,991	15,000	26.61%
Miscellaneous	652	2,000	32.60%
Small tools & equipment	496	3,000	16.53%
Emergency preparedness program	6,906	20,000	34.53%
Engineering services	12,753	8,000	159.41%
Encroachment remediation	-	15,000	0.00%
Total M & O Expenses	917,327	1,307,625	70.15%
Administration Expenses			
Board of trustees compensation	4,783	7,900	60.54%
Trustee expenses	1,002	1,750	57.26%
Accounting services	13,310	15,000	88.73%
Legal services (general)	13,019	50,000	26.04%
Utilities	20,976	25,000	83.90%
Telephone	11,724	12,500	93.79%
Retiree benefits	113,524	135,270	83.92%
Office equipment/furniture	-	10,000	0.00%
Office supplies	863	2,000	43.15%
Auto allowance	5,310	7,100	74.79%
Parking reimbursement	29	150	19.33%
General office expense	7,093	13,000	54.56%
Technology and software	5,154	17,000	30.32%
Dues and associations	21,124	25,000	84.50%
Property and liability insurance	23,631	30,000	78.77%
Conference/workshop/seminar	-	1,500	0.00%
Public relations/information	22,962	35,000	65.61%
Miscellaneous	2,759	5,000	55.18%
Employee morale/wellness	882	1,500	58.80%
Investment fees	7,282	13,000	56.02%
Community services	1,000	1,500	66.67%
Bookkeeping services	5,531	12,000	46.09%
Property taxes	1,660	3,000	55.33%
Building maintenance	2,151	17,000	12.65%
County Dtech fees for DLMS	37,904	60,477	62.68%
County assessment fees	1,061	21,000	5.05%
Interest expense	402	-	Not budgeted
Total Administration Expenses	325,136	522,647	62.21%
Special Projects Expenses			
Engineering studies/survey studies	-	15,000	0.00%
Levee standards compliance	11,173	100,000	11.17%
Small capital projects	8,610	50,000	17.22%
Total Special Project Expenses	19,783	165,000	11.99%
Capital Outlay			
Equipment purchases (over \$5,000)	49,396	50,000	98.79%
Total Capital Outlay	49,396	50,000	
Capital Outlay: District Headquarters Build-Out			
Building improvements/maintenance	-	20,000	0.00%
La Riviera improvements/maintenance	848	30,000	2.83%
	848	50,000	

Note: Amounts above are not audited

The above information is current through the last day of the previous month's bank activity.

Data has been verified by the bookkeeper and physical copies of checks have not been reviewed or received and some checks may not have cleared the bank account.

AMERICAN RIVER FLOOD CONTROL DISTRICT
Cash Flow Report
July 2017 through June 2018

Maintenance and Operations Expens	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	TOTAL
500 - Salary/Wages	47,744.54	50,883.41	51,666.88	50,964.96	51,666.88	74,781.73	26,944.12	55,714.89	50,234.96	26,944.13	0.00	0.00	487,546.50
501 - Payroll Taxes	3,674.40	3,923.51	3,992.41	3,648.14	3,160.27	4,494.90	2,619.55	4,920.61	3,919.49	2,062.55	0.00	0.00	36,415.83
502 - Pension	10,923.54	5,981.02	11,142.09	9,080.39	7,296.32	11,252.62	6,465.42	9,901.89	13,027.45	2,747.59	0.00	0.00	87,818.33
503 - Compensation Insurance	8,741.45	0.00	0.00	0.00	8,081.08	0.00	9,209.70	0.00	0.00	0.00	0.00	0.00	26,032.23
504 - Medical/Dental/Vision	13,701.42	13,701.42	13,800.42	13,701.42	13,701.42	14,791.05	14,371.05	15,479.13	15,937.13	0.00	0.00	0.00	129,184.46
508 - Fuel/Oil	2,966.92	2,085.35	2,513.28	837.83	1,708.85	822.09	949.15	1,263.38	1,732.84	0.00	0.00	0.00	14,879.69
509 - Equipment Rental	4,310.00	2,060.14	4,643.10	3,333.48	5,598.71	3,612.79	6,690.24	592.15	0.00	0.00	0.00	0.00	30,840.61
510 - Equipment Purchase(< \$5000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,206.33	0.00	0.00	0.00	1,206.33
511 - Equipment Repair/Parts	2,536.96	3,662.27	3,409.60	2,276.33	2,061.22	2,871.17	1,562.99	2,132.80	4,809.45	0.00	0.00	0.00	25,322.79
512 - Shop Supplies	1,471.30	869.01	1,771.04	711.22	1,353.41	469.05	3,128.55	609.99	1,125.07	0.00	0.00	0.00	11,508.64
514 - Levee Maint(Supplies&Materi	0.00	392.13	0.00	208.74	269.14	1,118.96	401.31	2,417.14	722.78	0.00	0.00	0.00	5,530.20
515 - Levee Maintenance Services	6,508.48	9,004.85	1,075.98	27,637.64	9,159.76	0.00	5,161.23	124.94	410.75	0.00	0.00	0.00	59,083.63
516 - Employee Uniforms	0.00	486.19	0.00	0.00	0.00	0.00	455.53	213.47	0.00	0.00	0.00	0.00	1,155.19
518 - Staff Training	738.93	164.58	5.20	235.36	327.31	375.54	14.99	180.00	837.00	0.00	0.00	0.00	2,878.91
519 - Miscellaneous O&M	0.00	0.00	0.00	540.62	1,061.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,601.62
521 - Small Tools & Equip	2,601.61	222.65	0.00	0.00	0.00	0.00	0.00	0.00	495.64	0.00	0.00	0.00	3,319.90
523 - Levee Maint. (Chemicals)	44.31	1,432.03	0.00	0.00	7,803.26	0.00	3,105.70	0.00	0.00	0.00	0.00	0.00	12,385.30
525 - Emergency Preparedness Pr	0.00	0.00	0.00	0.00	0.00	9,706.54	0.00	0.00	0.00	0.00	0.00	0.00	9,706.54
530 - Encroachment Remediation I	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
532 - Rodent Abatement	0.00	26.88	333.93	5,831.10	0.00	1.34	14.76	0.00	406.59	0.00	0.00	0.00	6,614.60
605 - Engineering Services	3,878.00	2,986.75	4,745.50	1,645.50	386.25	4,539.75	1,005.60	0.00	430.00	0.00	0.00	0.00	19,617.35
615 - Survey Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
616 - Envionmental Services/Studi	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total M&O Expense	109,841.86	97,882.19	99,099.43	120,652.73	113,634.88	128,837.53	82,099.89	93,550.39	95,295.48	31,754.27	0.00	0.00	972,648.65

Administrative Expenses	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	TOTAL
505 - Telephone	1,018.25	1,048.45	1,056.94	1,018.12	1,291.36	1,074.05	1,055.52	1,407.41	1,224.69	182.54	0.00	0.00	10,377.33
506 - Utility Charges	2,753.83	2,281.71	2,741.07	2,311.02	3,153.53	1,288.83	2,931.79	4,000.77	2,486.49	0.00	0.00	0.00	23,949.04
507 - Office/Shop Lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
513 - Office Supplies	506.71	0.00	220.03	61.22	118.36	0.00	29.99	0.00	0.00	0.00	0.00	0.00	936.31
517 - Auto Allowance	550.00	550.00	550.00	550.00	550.00	825.00	275.00	550.00	550.00	275.00	0.00	0.00	5,225.00
520 - Retiree Benefits	11,272.49	11,272.49	11,272.49	11,272.49	11,272.49	11,991.88	11,991.88	10,609.48	11,300.68	0.00	0.00	0.00	102,256.37
522 - Office Equipment/Furniture	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
526 - Mileage/Parking Reimbursem	45.15	0.00	0.00	235.15	0.00	24.00	0.00	0.00	0.00	0.00	0.00	0.00	304.30
527 - General Office Expense	1,159.75	756.29	1,293.60	755.59	1,393.26	719.89	1,794.98	825.56	1,071.59	0.00	0.00	0.00	9,770.51
529 - Pre-funding Retiree Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
531 - Technology & Software	270.26	269.85	514.21	527.38	2,275.37	384.51	268.04	251.94	349.98	0.00	0.00	0.00	5,111.54
600 - Board of Trustees Compensa	285.00	380.00	475.00	380.00	760.00	475.00	760.00	475.00	380.00	0.00	0.00	0.00	4,370.00
601 - Trustee Expenses	363.22	81.63	5.81	60.61	58.20	66.57	478.85	43.30	146.00	0.00	0.00	0.00	1,304.19
602 - Accounting Services	0.00	0.00	0.00	0.00	0.00	0.00	1,750.00	0.00	11,560.00	0.00	0.00	0.00	13,310.00
603 - Legal Fees (General)	1,448.67	6,298.00	6,255.50	1,129.50	525.00	1,498.50	1,134.50	536.00	1,940.09	0.00	0.00	0.00	20,765.76
604 - Flood Litigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
606 - Legislative Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
607 - Dues and Assoc. Expenes	0.00	5,489.00	60.00	0.00	9,601.00	6,358.00	0.00	0.00	0.00	0.00	0.00	0.00	21,508.00
608 - Insurance Premiums	0.00	0.00	0.00	19,592.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,592.00
609 - Conference /Workshops/Sem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
610 - Public Relations Information	0.00	0.00	0.00	0.00	0.00	2,500.00	9,763.23	10,698.61	961.84	0.00	0.00	0.00	22,961.84
611 - Election Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
612 - District Annexations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
613 - Community Services	0.00	0.00	0.00	0.00	0.00	0.00	1,000.00	0.00	0.00	0.00	0.00	0.00	1,000.00
614 - Miscellaneous Admin	155.70	146.95	224.75	(3,430.55)	382.89	260.14	478.55	268.80	217.07	10.00	0.00	0.00	(1,285.70)
617 - Investment Fees	0.00	3,619.00	0.00	0.00	3,634.00	0.00	0.00	3,648.00	0.00	0.00	0.00	0.00	10,901.00
618 - Property Tax	0.00	0.00	0.00	0.00	1,659.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,659.54

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619 - Building Maintenance	112.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	112.93
620 - Bookkeeping Services	1,012.50	1,200.00	768.75	1,087.50	0.00	825.00	1,050.00	825.00	975.00	0.00	0.00	0.00	0.00	7,743.75
621 - County Assessment Fees	0.00	15.00	0.00	0.00	0.00	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
622 - County D/Tech Fees for DLMS	0.00	1,764.00	5,608.29	6,497.50	25,494.33	0.00	303.91	0.00	0.00	0.00	0.00	0.00	0.00	39,668.03
623 - Employee Morale/Wellness	88.40	915.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,004.27
Total Administrative	21,042.86	36,088.24	31,046.44	42,047.53	62,169.33	28,306.37	35,066.24	34,139.87	32,201.59	467.54	0.00	0.00	0.00	322,576.01

Special Projects Expenses	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	TOTAL
702 - Engineering/Survey Studies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
703 - Encroachment Remediation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
704 - Vegetation Management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
705 - Small Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
707 - Levee Standards Compliance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Special Projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Capital Outlay: Flood Control	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	TOTAL
700 - Bank Protection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
701 - Magpie Creek	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
706 - Property Acquisition	0.00	7,593.18	0.00	1,118.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,711.98
709 - Equipment Purchase (> \$500)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Outlay: Flood Control	0.00	7,593.18	0.00	1,118.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,711.98

Income	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	TOTAL
120 - Benefit Assessment	0.00	40,376.68	0.00	0.00	0.00	32,307.85	788,621.15	0.00	0.00	0.00	0.00	0.00	861,305.68
122 - SAFCA CAD4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
123 - Interest	1,807.07	48.24	36.23	2,091.19	17.48	37.10	2,004.30	72.50	71.91	0.00	0.00	0.00	6,186.02
124 - O&M Agreements	0.00	0.00	0.00	0.00	0.00	245,528.40	0.00	0.00	0.00	0.00	0.00	0.00	245,528.40
126 - Miscellaneous Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Income	1,807.07	40,424.92	36.23	2,091.19	17.48	277,873.35	790,625.45	72.50	71.91	0.00	0.00	0.00	1,113,020.10

District Operations Fund	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Beginning Balance	2,294,495.71	1,165,418.06	1,071,872.55	941,762.91	781,153.84	605,367.11	726,096.56	1,399,555.88	1,271,938.12	1,144,512.96	0.00	0.00
Income	1,807.07	40,424.92	36.23	2,091.19	17.48	277,873.35	790,625.45	72.50	71.91	0.00	0.00	0.00
Expenses	1,130,884.72	133,970.43	130,145.87	162,700.26	175,804.21	157,143.90	117,166.13	127,690.26	127,497.07	32,221.81	0.00	0.00
Ending Balance	1,165,418.06	1,071,872.55	941,762.91	781,153.84	605,367.11	726,096.56	1,399,555.88	1,271,938.12	1,144,512.96	1,112,291.15	0.00	0.00

Capital Outlay Reserve Fund	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Beginning Balance	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	0.00	0.00
Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	1,065,000.00	0.00	0.00

Retiree Health Benefit Reserve Fund	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Beginning Balance	1,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	0.00	0.00
Income	1,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	2,443,558.00	0.00	0.00

Flood Emergency Response Reserve Fund	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Beginning Balance	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	0.00	0.00
Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

AMERICAN RIVER FLOOD CONTROL DISTRICT
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 July 2017 through June 2018

Item 2c

Ending Balance	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	0.00	0.00
Emergency Repair Reserve Fund												
Beginning Balance	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	0.00	0.00
Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	0.00	0.00
Total Balance	7,673,976.06	7,580,430.55	7,450,320.91	7,289,711.84	7,113,925.11	7,234,654.56	7,908,113.88	7,780,496.12	7,653,070.96	7,620,849.15	0.00	0.00

Invoices Paid

	DATE	AMOUNT	CHECK #
Gilberto Gutierrez (504 Medical/Dental/Vision)	3/12/18	\$80.00	6347
Occu-Med, Ltd. (504 Medical/Dental/Vision)	3/13/18	\$474.00	6348
Quickbooks (Trustees)	3/14/18	\$7.00	EFT
Quickbooks (Employees)	3/15/18	\$35.25	EFT
HSA (Employee)	3/16/18	\$150.00	EFT
HSA (Miscellaneous Admin)	3/16/18	\$2.95	EFT
HSA (Employee)	3/28/18	\$150.00	EFT
State Board of Equalization (Equipment Repair/Parts)	3/28/18	\$125.00	6349
AT&T Analog (Telephone)	4/5/18	\$192.54	6350
	Total	\$1,216.74	

Trustee Compensation

	DATE	GROSS	NET	CHK#
3/9/18 Board Meeting				
Holloway, Brian F	3/15/18	\$95.00	\$86.78	Direct Dep
Johns, Steven T	3/15/18	\$95.00	\$86.78	Direct Dep
Redway, Bettina C	3/15/18	\$95.00	\$86.79	Direct Dep
Shah, Cyril A	3/15/18	\$95.00	\$86.78	Direct Dep
	Total	\$380.00	\$347.13	

Trustee Taxes

	DATE	AMOUNT	CHK#
3/9/18 Board Meeting			
Federal Tax Payment	3/14/18	\$11.02	EFT
CA Withholding & SDI	3/14/18	\$3.80	EFT
CA UI & ETT	3/14/18	\$6.82	EFT
	Total	\$21.64	

Payroll Summary

	DATE	GROSS	NET	CHK#
PP ending 3/15/18				
Malane Chapman	3/16/18	2946.24	1902.42	Direct Dep
Elvin Diaz	3/16/18	1998.48	1510.72	Direct Dep
David Diaz	3/16/18	2221.12	1549.99	Direct Dep
Gilberto Gutierrez	3/16/18	2493.04	1576.50	Direct Dep
Ross Kawamura	3/16/18	3784.00	2127.97	Direct Dep
Tim Kerr	3/16/18	6851.08	4978.02	Direct Dep
Erich Quiring	3/16/18	2221.12	1487.27	Direct Dep
Jose Ramirez	3/16/18	2493.04	1793.19	Direct Dep
Zerimar Robles	3/16/18	1936.00	1543.48	Direct Dep
PP ending 3/31/18				
Malane Chapman	4/1/18	2946.24	1902.44	Direct Dep
Elvin Diaz	4/1/18	1998.49	1510.74	Direct Dep
David Diaz	4/1/18	2221.12	1549.98	Direct Dep
Gilberto Gutierrez	4/1/18	2493.04	1576.50	Direct Dep
Ross Kawamura	4/1/18	3784.00	2127.97	Direct Dep
Tim Kerr	4/1/18	6851.08	4978.03	Direct Dep
Erich Quiring	4/1/18	2221.12	1487.26	Direct Dep
Jose Ramirez	4/1/18	2493.04	1793.19	Direct Dep
Zerimar Robles	4/1/18	1936.00	1543.48	Direct Dep
	Total	\$51,952.25	\$36,939.15	

Employee & Relief GM Taxes

	DATE	AMOUNT	CHK#
PP ending 3/15/18			
Federal Tax Payment	3/16/18	\$6,601.08	EFT
CA Withholding & SDI	3/16/18	\$1,225.62	EFT
CA UI & ETT	3/16/18	\$0.00	EFT
PP ending 3/31/18			
Federal Tax Payment	4/1/18	\$2,476.00	EFT
CA Withholding & SDI	4/1/18	\$1,225.59	EFT
CA UI & ETT	4/1/18	\$0.00	EFT
	Total	\$11,528.29	

Employee Pension

	DATE	AMOUNT	CHK#
PP ending 3/15/18			
PERS Retirement Contribution (Unfunded Liability)	4/4/18	\$3,226.37	EFT
PERS Retirement Contribution	3/16/18	\$3,717.83	EFT
457 Deferred Comp (Employee Paid)	3/16/18	\$2,168.96	EFT
457 District Contribution	3/16/18	\$80.00	EFT
PP ending 3/31/18			
PERS Retirement Contribution	4/1/18	\$3,717.82	EFT
457 Deferred Comp (Employee Paid)	4/1/18	\$2,168.96	EFT
457 District Contribution	4/1/18	\$80.00	EFT
	Total	\$15,159.94	

Total of Invoices Paid and Payroll	\$65,212.89
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MANAGEMENT LETTER

To the Board of Directors and Management
American River Flood Control District
Sacramento, California

In planning and performing our audit of the financial statements of the American River Flood Control District (the District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those 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.

During our audit, we became aware of the following matters that have been included in this letter for your consideration:

New Pronouncements: In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45 and requires governments to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust, on the face of the financial statements that was previously just disclosed in the footnotes. Based on the September 1, 2016 actuarial report, the District's OPEB liability is \$4,165,293, and the District currently has a liability recorded of \$2,363,145. However, the amounts could change by the time GASB 75 is implemented as a result of updated actuarial valuations. The accounting and financial reporting requirements under GASB Statement No. 75 are similar to the accounting and reporting requirements implemented by the District for its pension plan under GASB Statement No. 68 during the year ended June 30, 2015. This new statement will result in changes to the disclosures for the District's OPEB plan and will be effective beginning the year ended June 30, 2018. The District will be required to have a new actuarial valuation performed prior to June 30, 2018 that complies with GASB 75.

To the Board of Directors and Management
American River Flood Control District
Page 2

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

_____, 2018



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GOVERNANCE LETTER

To the Board of Trustees
American River Flood Control District
Sacramento, California

We have audited the financial statements of the American River Flood Control District for the year ended June 30, 2017, and have issued our report thereon dated _____, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 6, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated July 6, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no internal control related matters that are required to be communicated under professional standards.

Board of Trustees
American River Flood Control District
Page 2

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated July 6, 2017.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: depreciable lives and method used to depreciate capital assets, the amount receivable from the County for delinquent assessments, the accruals for postemployment and pension benefits, and levee improvements constructed by the Army Corps of Engineers. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The accrual for postemployment benefits was determined by an actuarial valuation, which is required to be performed every three years. The most recent actuarial calculation was prepared as of September 2016. The accrual for the unfunded pension liability was determined by an actuarial valuation performed by CalPERS, which is performed annually.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

Pension Liability: Information on the District's pension plans, including the District's share of the unfunded pension liability, is shown in Note E. The District's share of the unfunded pension liability at June 30, 2016, the most recent measurement date, was \$860,019 which is reflected as a liability in the District's financial statements as of June 30, 2017.

Liability for Postemployment Benefits: The postemployment benefit (OPEB) disclosure in Note F shows that because the District has not been pre-funding its OPEB, the liability has increased to \$2,363,145 as of June 30, 2017.

Assessments: Note I describes the tentative nature of assessments and fees collected under Proposition 218.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a

result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. Seven audit adjustments were proposed to update the accrued vacation, pension and post-employment health benefit balances, adjust the designated fund balance accounts, adjust the property tax and reimbursement receivables to the amounts actually received, and to reclassify County assessment expenses.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2018.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, other postemployment benefits schedule of funding progress, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, and schedule of revenue, expenditures and changes in fund balance- budget and actual, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the schedule of expenditures – budget and actual which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information

Board of Trustees
American River Flood Control District
Page 4

is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

_____, 2018

AMERICAN RIVER FLOOD CONTROL DISTRICT

Audited Financial Statements
and Other Reports

June 30, 2017

AMERICAN RIVER FLOOD CONTROL DISTRICT

Audited Financial Statements
and Other Reports

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
American River Flood Control District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the American River Flood Control District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

To the Board of Trustees
American River Flood Control District

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 the District as of June 30, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, other postemployment benefits schedule of funding progress, and budgetary comparison information on pages 3 to 10 and 32 to 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures – budgeted and actual – is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

_____, 2018

AMERICAN RIVER FLOOD CONTROL DISTRICT CALIFORNIA

Management's Discussion and Analysis

As management of the American River Flood Control District (District), we are providing readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements, footnotes, and supplementary information.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016/2017

- At the end of the current year, total net position (total assets less total liabilities) of the District were a positive \$16.9 million.
- During the year, the District's net position increased by approximately \$24,000. The increase was a result of the District's governmental activities (flood protection). The District has no business-type activities to report.
- At the end of the current year, the District's General Fund reported a total fund balance of \$8.9 million. The amount of the unassigned fund balance was \$2,894,000, and the remainder was committed by the Board or in nonspendable form.
- The District's capital asset balance before depreciation was \$13.4 million at the end of the year.
- The District entered into a capital lease secured by office equipment during the fiscal year for \$10,000.
- The District has recognized a liability in the amount of \$.9 million for a net pension obligation due to Governmental Accounting Standards Board Statement (GASB) 68. See Note E of the basic financial statements.
- The District has recognized a liability in the amount of \$2.4 million for post-employment benefits. The liability increased approximately \$134,000 from the prior year. See Note F of the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, Management's Discussion and Analysis (this section), the Basic Financial Statements and Required Supplementary information (RSI). The Basic Financial Statements include the government-wide financial statements and fund financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities, with the difference representing net position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of the District report on one category, Governmental activities, as the District has no business-type activities.

Management's Discussion and Analysis (Continued)

Governmental Activities – All of the District's basic services, which include the maintenance and operation of a flood control system, are considered to be governmental activities and are included here.

Assessment revenue, maintenance agreements, and investment earnings finance the District's flood protection activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's significant funds. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to keep track of specific sources of funding and spending for particular purposes.

The District has one kind of fund:

General Fund – All of the District's basic services are included in the General Fund, which focuses on how resources flow in and out. The balances remaining at year-end are available for spending. The governmental fund statement provides a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we described the relationship between governmental activities and governmental funds through the reconciliations on pages 14 and 16 and in the notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 17 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the Basic Financial Statements and accompanying notes, this report presents certain required supplementary information (RSI) concerning the District's pension plan, other postemployment benefits and budget and actual revenue and expenditures on a budgetary basis. The RSI can be found on pages 33 to 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. The District's net position was \$16.9 million at the close of the most recent fiscal year. Of this amount \$10.8 million is invested in capital assets. The District uses these capital assets to provide flood protection services. Consequently, these assets are not available for future spending. All remaining net position is unrestricted. (See Table 1)

AMERICAN RIVER FLOOD CONTROL DISTRICT CALIFORNIA

Management's Discussion and Analysis (Continued)

Table 1
Statement of Net Position
June 30, 2017 and 2016
(in thousands)

	Governmental Activities	
	2017	2016
Current and other assets	9,269	\$ 8,931
Capital assets	10,820	10,965
Total assets	<u>20,089</u>	<u>19,896</u>
Deferred outflow of resources – pensions	248	88
Current liabilities	55	65
Long term Liability		
Accrued vacation and sick leave	32	36
Capital lease	8	-
Net pension liability	860	622
Accrual for post-employment benefits	2,363	2,229
Total liabilities	<u>3,318</u>	<u>2,952</u>
Deferred inflow of resources – pensions	91	128
Net position:		
Net investment in capital assets	10,811	10,965
Unrestricted net position	6,117	5,939
Total net position	<u>16,928</u>	<u>\$ 16,904</u>

Capital Assets, Net of Related Debt

As part of the implementation of GASB Statement No. 34, the District chose to not retroactively recognize infrastructure assets. GASB Statement No. 34 requires prospective reporting of infrastructure and allows for retroactive application of assets not previously required to be reported. The District opted to not record infrastructure assets (predominantly levee improvements) due to the difficulty in obtaining accurate cost for the levees, many of which were constructed over 50 years ago.

During the fiscal year ended June 30, 2017, there were no major additions to capital assets from levee improvements; however, during fiscal 2017 three new trucks were acquired at a cost of approximately \$105,000. The District uses these trucks in the maintenance of its levees. Two older trucks were sold, in which the District realized a gain on sale of approximately \$5,000. Also as discussed above, the District entered into a capital lease secured by office equipment for \$10,000.

During 2016, the District purchased a vacant lot for approximately \$79,000 in proximity to the levees it maintains. The purpose was to store material and equipment at the site so it could respond to levee needs and emergencies in a more efficient manner. However, because of conflicts in obtaining the necessary permits from the City of Sacramento, the District has not yet been able to use the land for its intended purpose. The District has begun the effort to grant an easement on the parcel to the State of California to effectively merge the lot with the adjacent levee parcel. This will enable the intended use of the land since State levee parcels maintained by the District are not subject to residential zoning restrictions. Conclusion of the land transfer to the State of California is expected in the Spring of 2018.

Management's Discussion and Analysis (Continued)

Restricted Net Position

The District has no restricted net position as of June 30, 2017.

Unrestricted Net Position

The District's unrestricted net position at June 30, 2017, totaled approximately \$6.1 million. The entire net position balance has been committed by the Board for flood emergency, emergency repairs, future retiree health benefits, and future capital improvements.

Post Employment Benefits

The District had a fourth actuarial study performed during fiscal year 2017 for its post-employment benefits indicating that their plan has an unfunded accrued liability balance of \$4,165,293 at June 30, 2017. During 2017, the District paid \$111,000 against this liability, and recognized an additional \$245,000 in expense to bring the liability to its estimated carrying value at June 30, 2017 of \$2,363,145. The next actuarial study is scheduled to be performed in 2018.

Net Pension Liability

The District implemented GASB 68 during fiscal year 2015, which resulted in the District recording their share of the unfunded net pension liability of \$607,424. During fiscal year 2017, the District contributed \$83,000 for employer required contributions to the pension plan and the unfunded net pension liability increased \$237,500 to \$860,019. In addition, the District has recorded deferred outflows and deferred inflows related to pensions of \$247,818 and \$91,102, respectively.

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table indicates the changes in net position for the governmental activities.

Table 2
Statement of Activities
Years Ended June 30, 2017 and 2016
(In thousands)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues -		
O & M reimbursement agreements	\$ 246	\$ 227
General revenues -		
Assessments	2,043	2,036
Interest income	108	79
Miscellaneous	5	4
Total revenues	<u>2,402</u>	<u>2,346</u>
Expenses:		
Flood protection	<u>2,378</u>	<u>2,153</u>
Changes in net position	24	193
Net position – beginning of year	<u>16,904</u>	<u>16,711</u>
Net position – end of year	<u>\$ 16,928</u>	<u>\$ 16,904</u>

The District's change in net position was \$24,000 during the current fiscal year. Overall revenues increased from \$2,346,000 in 2016 to \$2,402,000 in 2017. Assessment revenues increased \$7,000 and interest income increased \$29,000. Flood protection expenses increased \$225,000 from \$2,153,000 in 2016 to \$2,378,000 in 2017. Major increases in flood protection were a result of increases in levee maintenance services, emergency preparedness, engineering, and other employee related expenses.

Also during 2017, the District wrote off \$101,000 that was believed to be reimbursed from the City of Sacramento for a bike trail project that occurred in 2015. The bike trail improvements were made on the District's levees, and at the time, were to be repaid by the City. The District received notice in 2018 that the City would not be reimbursing the District for the amount requested because bike trail project costs that the City attributed to the District exceeded the amount requested.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the fiscal year-end, the District's governmental funds reported a combined fund balance of \$8.9 million, an increase of \$.4 million from the previous year's fund balance. The current year-end fund balance consists of \$6.0 million in committed funds for emergencies and capital improvements as follows:

AMERICAN RIVER FLOOD CONTROL DISTRICT CALIFORNIA

Management's Discussion and Analysis (Continued)

The Board has designated \$1.5 million for the Emergency Flood Fight Fund to be used by the District to initiate a flood emergency response and \$1.5 million has been designated for the Emergency Repair Fund. These funds will be used to initiate immediate repairs to levees damaged during a flood event so that the District will be better prepared to provide protection should another flood event follow. The Board has also designated \$1.5 million for future retiree health benefits in the Retiree Health Benefits Fund. To fund improvements on District levees, \$1.5 million has been designated for the Capital Outlay Fund.

The remaining \$2,894,491 is unassigned and available for spending for flood protection purposes. These funds are included in the District's Operation and Maintenance Fund which is used for the annual costs associated with operating and maintaining the District's facilities, including administrative costs.

Revenues in the District's governmental fund (General Fund, which consists of the Board's four designated funds), were almost \$2.4 million. Assessment revenue of \$2.0 million was the major source (86%) of revenue for the governmental fund. O & M reimbursements accounted for 10% of revenues and interest income accounted for 5%. Expenditures from the governmental fund were \$2.0 million, which resulted in \$415,380 in revenues over expenditures for District operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

Following is a summary of the current year Budget and actual results for the District's General Fund revenues and other financing sources. (See Table 3)

Table 3

Revenues and Other Funding Sources – General Fund
Year Ended June 30, 2017
(In thousands)

	Budget Amount	Actual Amount	Variance From Final Budget
Assessments	\$ 2,035	\$ 2,041	\$ 6
O & M reimbursement agreements	225	227	2
Interest income	75	108	33
	\$ 2,335	\$ 2,376	\$ 41

Changes from Amounts Originally Budgeted

There were no changes made to the original budget.

Management’s Discussion and Analysis (Continued)

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the District’s General Fund were \$41,207 more than budget. The variance was primarily due to interest income being approximately \$33,000 higher than budget.

Budgetary Summary – Expenditures/Other Financing Uses

Following is a summary of the current year budget and actual results for the District’s General Fund expenditures. (See Table 4)

Table 4

Expenditures – General Fund
Year Ended June 30, 2017
(in thousands)

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance From Final Budget</u>
Current:			
Flood protection			
Operations	\$ 1,414	\$ 1,417	\$ (3)
Administration	548	423	125
Capital outlay	<u>114</u>	<u>121</u>	<u>(7)</u>
	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 115</u>

Changes from Amounts Originally Budgeted

There were no changes made to the original budget.

Actual Expenditures Compared with Final Budget Amount

Actual expenditures from the District’s General Fund were \$114,927 less than budgeted. Favorable variances from budget were noted in administration, including legal, technology and software, election, and building maintenance expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District has \$10.8 million invested in capital assets including levees and equipment. As allowed by GASB Statement No. 34, land and infrastructure have not been included for acquisitions prior to the implementation of the Standard.

Management's Discussion and Analysis (Continued)

The District's capital assets increased from the prior fiscal year as shown in Table 5 below:

Table 5

	As of June 30, 2017	As of June 30, 2016	Increase (Decrease)
Land	\$ 321,463	\$ 321,463	\$ -
Levees and improvements	9,544,047	9,544,047	-
Building	1,763,304	1,763,304	-
Equipment	1,725,927	1,669,885	56,042
Building improvements	9,899	4,836	5,063
	<u>\$13,364,640</u>	<u>\$ 13,303,535</u>	<u>\$ 61,105</u>

During the year, the District acquired three new trucks to assist in the maintenance of its levees. These trucks cost approximately \$105,000. Two older trucks were sold that had an original cost of \$52,000, and resulted in a gain on sale of approximately \$5,000. The District also acquired a new alarm system for its headquarters at a cost of \$5,000, and a new office copier under a capital lease for approximately \$10,000. See Note C for more information on the District's capital assets.

The District depreciates capital assets using the straight-line method over the estimated lives of the assets. Accumulated depreciation as of June 30, 2017 is \$2,544,419.

As of June 30, 2017, the District has designated approximately \$1,500,000 for future capital outlay expenditures.

Debt Administration

As stated above, the District entered into a capital lease for office equipment during the year at a cost of approximately \$10,000. See Note D for more information on the District's debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District office at:

American River Flood Control District

185 Commerce Circle

Sacramento, CA 95815

AMERICAN RIVER FLOOD CONTROL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

ASSETS	
Cash and investments - Note B	\$ 8,901,327
Receivables:	
Assessments	72,685
Interest	1,751
Due from other agencies	245,577
Other	4,065
Prepaid expenses	43,457
Capital assets, net - Note C	10,820,221
TOTAL ASSETS	<u>20,089,083</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>247,818</u>
LIABILITIES	
Accounts payable	52,126
Accrued payroll expense	952
Current portion of capital lease	1,775
Long-term liabilities	
Accrued vacation and sick leave	31,949
Capital lease	7,823
Net pension liability - Note E	860,019
Accrual for post-employment benefits - Note F	2,363,145
TOTAL LIABILITIES	<u>3,317,789</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>91,102</u>
NET POSITION	
Net investment in capital assets	10,810,623
Unrestricted	<u>6,117,387</u>
TOTAL NET POSITION	<u>\$ 16,928,010</u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

PROGRAM EXPENSES	
Governmental activities:	
Flood protection	\$ 2,378,181
PROGRAM REVENUES	
Charges for services	<u>245,528</u>
NET PROGRAM EXPENSES	(2,132,653)
GENERAL REVENUES	
Assessments	2,043,348
Interest income	107,768
Gain on sale of capital assets	4,608
Other	<u>501</u>
TOTAL GENERAL REVENUES	<u>2,156,225</u>
CHANGE IN NET POSITION	23,572
Net position at beginning of year	<u>16,904,438</u>
NET POSITION AT END OF YEAR	<u><u>\$ 16,928,010</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

BALANCE SHEET – GENERAL FUND

June 30, 2017

ASSETS	
Cash and cash equivalents	\$ 8,901,327
Receivables:	
Assessments	72,685
Interest	1,751
Due from other agencies	245,577
Other	4,065
Prepaid costs	<u>43,457</u>
TOTAL ASSETS	<u><u>\$ 9,268,862</u></u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 52,126
Accrued payroll expense	<u>952</u>
TOTAL LIABILITIES	<u><u>53,078</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>277,836</u>
FUND BALANCES	
Nonspendable	43,457
Committed	6,000,000
Unassigned	<u>2,894,491</u>
TOTAL FUND BALANCES	<u><u>8,937,948</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 9,268,862</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION – GENERAL FUND

June 30, 2017

Fund balance - total governmental funds, June 30, 2017		\$ 8,937,948
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 13,364,640	
Less: accumulated depreciation	<u>(2,544,419)</u>	10,820,221
Pension differences will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.		247,818
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued vacation and sick leave		(31,949)
Capital lease		(9,598)
Net pension liability		(860,019)
Accrual for post-employment benefits		(2,363,145)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.		(91,102)
Some revenues are not recognized in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities:		
Unavailable revenue		<u>277,836</u>
Net position - governmental activities, June 30, 2017		<u><u>\$ 16,928,010</u></u>

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

AMERICAN RIVER FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2017

REVENUES		
Assessments		\$ 2,041,097
O & M reimbursements		226,841
Use of money		107,768
Other revenues		501
	TOTAL REVENUES	2,376,207
EXPENDITURES		
Current:		
Flood protection		
Maintenance and operations		1,416,779
Administration		422,930
Debt service		
Principal		144
Interest payments		39
Capital outlay		120,935
	TOTAL EXPENDITURES	1,960,827
	EXCESS OF REVENUES OVER EXPENDITURES	415,380
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets		4,608
Issuance of capital lease		9,742
	OTHER FINANCING SOURCES	14,350
	NET CHANGE IN FUND BALANCE	429,730
Fund balance at beginning of year		8,508,218
	FUND BALANCE AT END OF YEAR	\$ 8,937,948

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

AMERICAN RIVER FLOOD CONTROL DISTRICT

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES –
GENERAL FUND

For the Year Ended June 30, 2017

Net change in fund balance - total governmental funds for the year ended June 30, 2017	\$ 429,730
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 120,935	
Depreciation expense	<u>(266,246)</u>	(145,311)

Revenues and expenses in the Government-wide Statement of Activities that do not provide current financial resources are not reported as revenues and expenses in the governmental funds.

Change in accrual for post-employment benefits	(134,244)
Change in unavailable revenue	(80,528)
Change in accrued vacation and sick leave	4,379
Issuance of capital lease	(9,742)
Principal payments on capital lease	144
Change in deferred outflows of resources related to employee pensions	159,981
Change in employee net pension obligation	(237,500)
Change in deferred inflows of resources related to employee pensions	<u>36,663</u>

Change in net position - governmental activities for the year ended June 30, 2017	<u>\$ 23,572</u>
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The accompanying notes are an integral part of these financial statements.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the American River Flood Control District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Background: The District was formed under an Act of the Legislature of the State of California in 1927. The District is governed under a Board of Trustees and operates and maintains levees in Sacramento County.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

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 when a liability is incurred, regardless of the timing of related cash flows.

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

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues other than reimbursement revenues to be available if they are collected within 60 days of the end of the current fiscal period. For reimbursement revenues, amounts collected within 180 days of the end of the current fiscal period are considered available. Amounts not received within the 60 or 180 day availability period are reported as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Payable balances consist primarily of payables to vendors.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax assessment revenues, reimbursement revenues and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The Fund is charged with all costs of operations.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District's policies and procedures. Budgetary control is exercised by major object. Budgetary changes, if any, during the fiscal year require the approval of the District's Board of Trustees. Unencumbered budget appropriations lapse at the end of the fiscal year.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs and deposits are reported in the fund financial statements as nonspendable fund balance to indicate they do not constitute resources available for appropriation.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the time received. Capital assets are depreciated using the straight-line method over the estimated useful lives.

Levees and improvement	100 years
Construction equipment and mowers	7-10 years
Vehicles	7 years
Shop and levee maintenance equipment	7-10 years
Office equipment and furniture	5-10 years
Computers and accessories	5 years
Building improvements	10 years
Buildings	30 years

The District's capitalization threshold is \$1,000 with no minimum for infrastructure assets and other real property. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Accrued Vacation and Sick Leave: The District's policies regarding vacation and sick leave permit employees to accumulate earned, but unused vacation and sick leave. The District's policy for sick-pay states that upon retirement, an employee may be paid one-third (up to a maximum of 400 hours) of their

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accumulated unused sick leave balance. The remaining balance of the employees' sick leave is then available for service credit under the District's pension plan. Alternatively, the employees may elect to use their entire balance of accumulated unused sick leave for service credit under the District's pension plan. All vacation and an estimate of the probable sick leave pay-out is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to liquidate compensated absences. All of the accrued vacation and sick leave is considered long-term.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted net position.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Fund Equity: In the General Fund financial statements, the District reports the following fund balances:

Non-spendable fund balances are not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid costs.

Committed fund balances include amounts that can be used only for specific purposes determined by a formal action of the Board. The Board has authority to establish, modify, or rescind a fund balance commitment through a resolution of the Board.

Unassigned fund balance is the residual classification for the District's funds and includes all spendable amounts not contained in the other classifications.

The District's committed or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Committed fund balances consist of the following:

Capital Outlay Projects Fund – To accumulate funds for future capital projects. Such projects represent capital improvement projects to repair damaged levees, improve the reliability of the system and/or increase the District's ability to monitor the system and respond in a flood emergency. As of June 30, 2017, \$1,500,000 has been designated by the Board.

Emergency Repair Fund – Funds designated for necessary repairs due to substantial damage from high flows. As of June 30, 2017, \$1,500,000 has been designated by the Board.

Emergency Flood Fight Fund – Funds designated to fight flood emergencies and to help prevent the need for future special assessments. As of June 30, 2017, \$1,500,000 has been designated by the Board.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retiree Health Benefits Fund – Funds designated to fund future retiree health benefit costs. As of June 30, 2017, \$1,500,000 has been designated by the Board.

Assessments: The District made assessments against properties within the District in accordance with requirements of State law and the American River Flood Control District Act. Assessments are processed through Sacramento County based on the parcel size and designated land use of the parcels. Assessments are payable with the property owner's property taxes. The assessments are typically levied on or before the first day of September each year and become a lien on real property upon levy. Assessments are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. The District recognizes assessments when the individual installments are due provided they are collected within 60 days after year end.

The County uses the Alternative Method of Property Tax Apportionment (Teeter). Under this method of property tax apportionment for assessments collected as part of property taxes, the County purchases the delinquent secured property taxes at June 30 of each fiscal year and guarantees the District 100% of its annual assessment.

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 the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements: In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, replacing the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning the year ended June 30, 2018.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies certain accounting and reporting issues related to pension plans, including the presentation of payroll related measures in required supplementary information, clarifies the use of the term deviation for the selection of assumptions, and clarifies the classification of employer-paid member contributions and the period in which they should be recognized. This Statement is effective in the first reporting period in which the measurement date of the employer's pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's), which is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The timing and pattern of recognition of the liability and corresponding deferred outflow of resources recorded is defined in this Statement. This Statement is effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurements and application, pensions and other postemployment benefits. This Statement is effective for periods beginning after June 15, 2017.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following at June 30, 2017:

Cash on hand	\$	53
Deposits with financial institutions		873,597
	Total cash	<u>873,650</u>
City of Sacramento Pool A		7,267,268
Local Agency Investment Fund (LAIF)		760,409
	Total investment	<u>8,027,677</u>
	Total cash and investments	<u>\$ 8,901,327</u>

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B – CASH AND INVESTMENTS (Continued)

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2017, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local agency bonds	5 years	None	None
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates and time deposits	5 years	30%	None
Repurchase agreements	92 days	20%	None
Medium term corporate notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Pooled investment funds	N/A	None	None

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the City of Sacramento's Investment Pool: The District maintains a portion of its cash in the City of Sacramento's cash and investment pool which is managed by the City Treasurer. The District's cash balances invested in the City Treasurer's cash and investment pool are stated at fair value. The amount invested by all public agencies in the City's cash and investment pool is \$1,053,914,451 at June 30, 2017. The City does not invest in any derivative financial products directly. However, they do invest in Local Agency Investment Fund (LAIF), which does invest in derivative financial products. The City Council has oversight responsibility for the cash and investment pool. The value of pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasurer through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$77,616,683,602, managed by the State Treasurer. Of that amount, 2.25% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B – CASH AND INVESTMENTS (Continued)

the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the City's investment pool was approximately 2.11 years. As of June 30, 2017, the weighted average maturity of the investment in LAIF was approximately 194 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The City's investment pool and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2017, the carrying amount and the balances in financial institutions of the District's deposits were both \$873,597. Of the balance in financial institutions, \$250,000 is covered by federal depository insurance and amounts in excess of this balance are covered by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 321,463	\$ -	\$ -	\$ 321,463
Capital assets being depreciated:				
Levees and improvements	9,544,047	-	-	9,544,047
Building	1,763,304	-	-	1,763,304
Levee maintenance equipment	1,279,871	1,034	(8,097)	1,272,808
Vehicles	335,103	105,096	(51,733)	388,466
Office equipment	54,911	9,742	-	64,653
Building improvements	4,836	5,063	-	9,899
Total capital assets, being depreciated	<u>12,982,072</u>	<u>120,935</u>	<u>(59,830)</u>	<u>13,043,177</u>
Less accumulated depreciation for:				
Levees and improvements	(1,147,986)	(95,502)	-	(1,243,488)
Building	(34,286)	(58,777)	-	(93,063)
Levee maintenance equipment	(857,117)	(82,705)	8,097	(931,725)
Vehicles	(276,835)	(24,388)	51,733	(249,490)
Office equipment	(16,943)	(4,663)	-	(21,606)
Building improvements	(4,836)	(211)	-	(5,047)
Total accumulated depreciation	<u>(2,338,003)</u>	<u>(266,246)</u>	<u>59,830</u>	<u>(2,544,419)</u>
Total capital assets, being depreciated, net	<u>10,644,069</u>	<u>(145,311)</u>	<u>-</u>	<u>10,498,758</u>
Capital assets, net	<u>\$ 10,965,532</u>	<u>\$ (145,311)</u>	<u>\$ -</u>	<u>\$ 10,820,221</u>

Depreciation expense of \$266,246 for the year ended June 30, 2017 was charged to the flood protection function.

AMERICAN RIVER FLOOD CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Accrued vacation and sick leave	\$ 36,328	\$ -	\$ (4,379)	\$ 31,949	\$ -
Capital lease obligation	-	9,742	(144)	9,598	1,775
Net pension liability	622,519	237,500	-	860,019	-
Accrual for post-employment benefits	2,228,901	245,107	(110,863)	2,363,145	-
	<u>\$ 2,887,748</u>	<u>\$ 492,349</u>	<u>\$ (115,386)</u>	<u>\$ 3,264,711</u>	<u>\$ 1,775</u>

The District's capital lease consists of the following:

Copier Lease: In May 2017, the District entered into a capital lease for the acquisition of a copier. The lease has an interest rate of 4.77%, with monthly payments of \$183 through May 2022. The cost of the copier is \$9,742 and accumulated depreciation is \$162 at June 30, 2017.

Annual debt service requirement of the District's long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,775	\$ 419	\$ 2,194
2019	1,861	333	2,194
2020	1,951	243	2,194
2021	2,047	147	2,194
2022	1,964	47	2,011
	<u>\$ 9,598</u>	<u>\$ 1,189</u>	<u>\$ 10,787</u>

NOTE E – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The District has the following cost-sharing Plans:

- Miscellaneous Plan
- PEPRM Miscellaneous Plan (inactive)

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – PENSION PLANS (Continued)

Benefits Provided: CalPERS provides service 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 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is 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 Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	PEPRA Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.880%	6.55%

In addition to the contribution rates above, the District was also required to make payments of \$30,277 toward its unfunded actuarial liability during the year ended June 30, 2017.

The Miscellaneous Plan is closed to new members that are not already CalPERS participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually 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. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions made to the Plan were \$80,014.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan of \$860,019.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – PENSION PLANS (Continued)

proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.02269%
Proportion - June 30, 2016	0.02476%
Change - Increase (Decrease)	0.00207%

For the year ended June 30, 2017, the District recognized pension expense of \$78,680. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 80,014	\$ -
Differences between actual and expected experience	2,961	(679)
Changes in assumptions	-	(28,012)
Change in employer's proportion	19,049	(35,485)
Differences between the employer's contribution and the employer's proportionate share of contributions	-	(26,926)
Net differences between projected and actual earnings on plan investments	<u>145,794</u>	<u>-</u>
Total	<u>\$ 247,818</u>	<u>\$ (91,102)</u>

The \$80,014 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	\$ (16,808)
2019	(7,720)
2020	63,467
2021	<u>37,763</u>
	<u>\$ 76,702</u>

AMERICAN RIVER FLOOD CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2015 actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	Developed using CalPERS Membership Data for all funds

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in June 30, 2017 were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District'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	6.65%
Net Pension Liability	\$ 1,408,761
Current Discount Rate	7.65%
Net Pension Liability	\$ 860,019
1% Increase	8.65%
Net Pension Liability	\$ 406,511

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

Payable to the Pension Plan: At June 30, 2017, the District reported a payable of \$952 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements. The District's contribution is 100% of the medical premium, which currently ranges from \$551 to \$2,568. The benefit continues to surviving spouses and dependents.

Funding Policy: The contribution requirements of the District's participants and the District are established by and may be amended by the District pursuant to agreements with its employees. Contributions to the OPEB plan in fiscal 2016/2017 totaled \$110,863, which represents premium payments made on retirees. The District has set aside a cash designation of \$1,500,000 for retiree health benefits; however, the cash is not maintained in a trust.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's Net OPEB obligation for the year ended June 30, 2017:

Annual required contribution	\$ 215,133
Interest on net OPEB obligation	109,606
Adjustment to annual required contribution	<u>(79,632)</u>
Annual OPEB cost (expense)	245,107
Contributions made (premiums payments made)	<u>(110,863)</u>
Increase in net OPEB obligation	<u>134,244</u>
Net OPEB obligation, beginning of year	<u>2,228,901</u>
Net OPEB obligation, end of year	<u><u>\$ 2,363,145</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 245,107	45.23%	\$ 2,363,145
6/30/2016	260,235	17.43%	2,228,901
6/30/2015	260,235	16.67%	2,014,035

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress: The funded status of the Plan as of September 1, 2016, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,165,293
Actuarial value of Plan assets	-
Underfunded actuarial accrued liability (UAAL)	<u>4,165,293</u>
Funded ratio (actuarial value of Plan assets/AAL)	0.00%
Covered payroll (active Plan participants)	523,951
UAAL as a percentage of covered payroll	794.98%

Although the District has not established a trust for funding the OPEB Plan, it has set aside cash to provide for these benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the September 2016 actuarial valuation, the entry age normal actuarial cost level of pay method was used. The actuarial assumptions included a 3.5% investment rate of return, a 3% salary increase and a 3% general inflation rate. Premiums were assumed to increase 4% per year.

NOTE G – INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public official liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained.

AMERICAN RIVER FLOOD CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE G – INSURANCE (Continued)

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and auto liability (includes public officials liability)	\$ 5,000,000	\$ 55,000,000	None
Property damage	100,000	150,000,000	\$500 to 1,000
Fidelity	100,000	NA	1,000
Workers compensation liability	2,000,000	Statutory	None

NOTE H – CONTINGENCIES

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend assessments and fees. Any new or increased assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District's ability to finance the services for which the property assessments were imposed may be significantly impaired. However, the District may also have the ability to assess certain government owned properties which were previously rendered exempt. The effect Proposition 218 will have on the District's ability to maintain or increase the revenue it receives from assessments and fees in the future is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

AMERICAN RIVER FLOOD CONTROL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN
Last 10 Years**

	2017	2016	2015
Proportion of the net pension liability	0.02476%	0.02269%	0.02458%
Proportionate share of the net pension liability	\$860,019	\$622,519	\$607,424
Covered - employee payroll - measurement period	\$667,525	\$657,579	\$708,794
Proportionate share of the net pension liability as a percentage of covered payroll	128.84%	94.67%	85.70%
Plan fiduciary net position as a percentage of the total pension liability	78.90%	83.70%	83.03%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in assumptions: The June 30, 2015 Actuarial Valuation changed the discount rate from 7.5% (net of administrative expense) to 7.65%.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
Last 10 Years**

	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 80,014	\$ 82,858	\$ 75,370
Contributions in relation to the actuarially determined contributions	80,014	82,858	75,370
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered - employee payroll - fiscal year	\$577,710	\$667,525	\$657,579
Contributions as a percentage of covered - employee payroll	13.85%	12.41%	11.46%

Notes to Schedule:

Valuation date:

	June 30, 2014	June 30, 2013	June 30, 2012
--	------------------	------------------	------------------

Methods and assumptions used to determine contribution rates:

	Entry age normal		
Amortization method	Level percentage of payroll, closed		
Remaining amortization period	13 years	14 years	15 years
Asset valuation method	5-year smoothed market		
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service		
Investment rate of return	7.50%, net of pension plan investment expense, including inflation		

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

AMERICAN RIVER FLOOD CONTROL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

**Other Postemployment Benefits
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/1/2016	-	\$4,165,293	\$4,165,293	0%	\$523,951	794.98%
9/1/2013	-	3,584,662	3,584,662	0%	704,638	508.72%
9/1/2010	-	1,443,558	1,443,558	0%	626,063	230.58%

AMERICAN RIVER FLOOD CONTROL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Assessments	\$ 2,035,000	\$ 2,035,000	\$ 2,041,097	\$ 6,097
O & M reimbursements	225,000	225,000	226,841	1,841
Use of money	75,000	75,000	107,768	32,768
Other revenues	-	-	501	501
TOTAL REVENUES	2,335,000	2,335,000	2,376,207	41,207
EXPENDITURES				
Current:				
Flood protection				
Maintenance and operations	1,413,551	1,413,551	1,416,779	(3,228)
Administration	548,203	548,203	422,930	125,273
Debt service				
Principal	-	-	144	(144)
Interest payments	-	-	39	(39)
Capital outlay	114,000	114,000	120,935	(6,935)
TOTAL EXPENDITURES	2,075,754	2,075,754	1,960,827	114,927
EXCESS OF REVENUES OVER EXPENDITURES	259,246	259,246	415,380	156,134
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	4,608	4,608
Issuance of capital lease	-	-	9,742	9,742
TOTAL OTHER FINANCING SOURCES	-	-	14,350	14,350
NET CHANGE IN FUND BALANCES	259,246	259,246	429,730	170,484
Fund balance at beginning of year	8,508,218	8,508,218	8,508,218	-
FUND BALANCE AT END OF YEAR	\$ 8,767,464	\$ 8,767,464	\$ 8,937,948	\$ 170,484

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

OTHER SUPPLEMENTARY INFORMATION

AMERICAN RIVER FLOOD CONTROL DISTRICT

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Maintenance and Operations:			
Salaries	\$ 675,000	\$ 702,486	\$ (27,486)
Payroll taxes	54,000	50,822	3,178
Pension	119,536	122,379	(2,843)
Workers compensation insurance	33,750	35,824	(2,074)
Group insurance	116,265	167,012	(50,747)
Fuel and oil	30,000	21,720	8,280
Equipment rental	6,500	5,665	835
Equipment repairs	40,000	44,803	(4,803)
Equipment purchases less than \$1,000	500	-	500
Small tools and equipment	3,000	4,489	(1,489)
Shop supplies	12,000	11,408	592
Levee maintenance supplies	17,000	17,864	(864)
Levee maintenance chemicals	10,000	22,417	(12,417)
Levee maintenance services	34,000	84,530	(50,530)
Rodent abatement	10,000	3,132	6,868
Staff training	15,000	3,339	11,661
Employee uniforms	7,000	5,274	1,726
Emergency preparedness	20,000	76,948	(56,948)
Miscellaneous	2,000	1,313	687
Encroachment remediation	15,000	-	15,000
Engineering services	8,000	26,031	(18,031)
Not-capitalized capital outlay			
Levee Standards Compliance	100,000	-	100,000
Small capital projects	50,000	-	50,000
Engineering studies and survey studies	15,000	-	15,000
La Riviera improvements	20,000	9,323	10,677
	<u>1,413,551</u>	<u>1,416,779</u>	<u>(3,228)</u>

AMERICAN RIVER FLOOD CONTROL DISTRICT

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL - (Continued)
GENERAL FUND

For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Administration:			
Utilities	\$ 25,000	\$ 28,074	\$ (3,074)
Telephone	12,500	15,123	(2,623)
Retiree benefits	115,000	110,863	4,137
Office equipment and furniture	10,000	1,945	8,055
Office supplies	2,000	1,920	80
Auto allowance	7,100	7,082	18
Technology and software	17,000	6,060	10,940
Trustee fees	7,900	7,088	812
Trustee expenses	1,750	1,967	(217)
Accounting services	15,000	12,250	2,750
Legal services (general)	50,000	38,298	11,702
Dues and association expenses	25,000	20,631	4,369
Insurance premiums	30,000	26,838	3,162
Conferences and workshops	1,500	-	1,500
Public relations and information	35,000	29,102	5,898
Election expense	81,826	1,669	80,157
Investment services	13,000	14,404	(1,404)
Parking reimbursement	150	72	78
General office	13,000	10,366	2,634
Bookkeeping services	12,000	14,155	(2,155)
County assessment fees	21,000	36,472	(15,472)
County technology fees	24,477	26,241	(1,764)
Community services	1,500	1,000	500
Building maintenance	17,000	5,614	11,386
Property taxes	3,000	1,597	1,403
Employee morale and wellness	1,500	256	1,244
Miscellaneous	5,000	3,343	1,657
Property Acquisition	-	500	(500)
	<u>548,203</u>	<u>422,930</u>	<u>125,273</u>
Debt service			
Principal	-	144	(144)
Interest payments	-	39	(39)
	<u>-</u>	<u>183</u>	<u>(183)</u>
Capital outlay:			
Capitalized equipment and building	114,000	120,935	(6,935)
	<u>114,000</u>	<u>120,935</u>	<u>(6,935)</u>
Total expenditures	<u>\$ 2,075,754</u>	<u>\$ 1,960,827</u>	<u>\$ 114,927</u>

OTHER REPORTS



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

To the Board of Trustees
American River Flood Control District
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 American River Flood Control District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees
American River Flood Control District

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

_____, 2018

The Three Rs (and perhaps a Fourth)

Introduction:

When the State of California originally provided assurances to the U.S. Army Corps of Engineers (USACE) for the Sacramento River and San Joaquin River Flood Control Projects, the State signed an MOU with USACE in which it stated that it “fully recognizes and accepts its obligation to operate and maintain all completed project works....” SRFCP 1953 MOU. That MOU further provided that the State is obligated for “the operation and maintenance of all of the works, after completion, in accordance with the regulations prescribed by the Secretary of the Army.” This language set the standard for actions by the State. Subsidiary to its obligations to USACE, the State entered into multiple assurance agreements with local maintaining agencies (LMAs) whereby the LMAs agreed to operate and maintain certain portions of the system.¹

As a result of Congressional directive in the 1986 Water Resources Development Act,² USACE changed its guidance and assurance agreements to no longer merely require operation and maintenance of authorized facilities (the term “maintain” previously already included the use of the term “repair”)³ but rather to now require operation, maintenance, repair, replacement, and rehabilitation (OMRR&R). While the terms repair, replacement, and rehabilitation can very well be considered subsidiary to maintenance when applied to things like flap gates, gravel roads, and pumps (in other words, *routine* RR&R), many LMAs are concerned about the possible application of the repair, replacement, and rehabilitation obligation to improvements to federal project features that have traditionally been the domain of USACE Civil Works or other capital expenditure programs.

Discussion

Any consideration of the meaning of the terms repair, replacement, and rehabilitation must be considered in the context of how the terms have been defined by USACE. In 1994, USACE issued ER 1110-2-401 which provided definitions for each of the terms:

¹ See also Water Code 8370 which, while it’s questionable what effect it has, also uses the terms maintain and operate: “It is the responsibility, liability and duty of the reclamation districts, levee districts, protection districts, drainage districts, municipalities, and other public agencies within the Sacramento River Flood Control Project limits, to maintain and operate the works of the project within the boundaries or jurisdiction of such agencies, excepting only those works enumerated in Section 8361 and those for which provision for maintenance and operation is made by Federal law.”

² 33 USC 2213 “Any project to which this section applies (other than a project for hydroelectric power) shall be initiated only after non-Federal interests have entered into binding agreements with the Secretary to pay 100 percent of the operation, maintenance, and replacement and rehabilitation costs of the project, to pay the non-Federal share of the costs of construction required by this section, and to hold and save the United States free from damages due to the construction or operation and maintenance of the project, except for damages due to the fault or negligence of the United States or its contractors.”

³ But note the limited context in which the term “repair” was used: “Maintenance. The Superintendent shall provide at all times such maintenance as may be required to insure serviceability of the structures in time of flood. Measures shall be taken to promote the growth of sod, exterminate burrowing animals, and to provide for routine mowing of the grass and weeds, removal of wild growth and drift deposits, and repair of damage caused by erosion or other forces....” 33 C.F.R. 208.10(b)(1).

Repair is considered to entail those activities of a routine nature that maintain the project in a well kept condition. Replacement covers those activities taken when a worn-out element or portion thereof is replaced. Rehabilitation refers to a set of activities as necessary to bring a deteriorated project back to its original condition.

While these definitions are generally helpful, they are still subject to interpretation of whether one must rehabilitate a pump station (traditional routine O&M), or a dam or a levee (more commonly viewed as a capital improvement). However, the next line in that definition is helpful in creating a limitation:

RR&R actions are to conform to the project as-built plans and specifications unless other arrangements are made with the district commander.

Thus, a levee designed decades ago using less stringent engineering standards cannot be upgraded to the current engineering standards on the basis of RR&R. Similarly, RR&R cannot compel repair of damage from a flood event exceeding the original design flood. At the same time, earthen levees are typically built to lower engineering standards than other public safety infrastructure; therefore some level of minor damage that requires maintenance or repair is to be expected following the design event.

Another useful piece of guidance was issued on August 16, 2005 by Don Riley, the USACE Director of Civil Works. In that guidance document, General Riley notes:

Definition of Reconstruction. Cost shared reconstruction will be defined by elimination. Reconstruction excludes design or construction deficiencies. Further, ***reconstruction is limited to addressing impediments that prevent a project from performing as authorized after all maintenance, as required by the project operation and maintenance manual and the Code of Federal Regulations, has been accomplished and any deficiencies resulting from a lack of maintenance have been addressed. Reconstruction will consist of addressing the major performance deficiencies caused by a long-term degradation of the foundation, construction materials, and engineering systems that have exceeded their expected service lives and the resulting inability of the project to perform its authorized project functions.*** In addressing reconstruction needs, the latest design standards and efficiency improvements should be incorporated into the project.

This statement is helpful in that it makes clear that efforts to address major performance deficiencies that are caused by long-term degradation of the foundation, construction materials, and engineering systems exceeding their expected lives are not RR&R. To use an example, foundation piping as a result of poor rodent management could be a deficiency to be addressed by the non-Federal sponsor under RR&R, while foundation piping due to subsurface foundation conditions would not be a non-Federal sponsor obligation under RR&R. This suggests that one test to determine whether something should be addressed under RR&R, or should be addressed under reconstruction (the fourth “R”), may be determined in part by whether consistent adherence to routine O&M would have prevented the problem.

Another helpful consideration is the way in which substantial damage to levees from extreme flood events have historically been handled. In these cases, USACE has typically repaired major

damage using the P.L.84-99 or Civil Works authorities. When USACE did not undertake action to repair a damaged levee from a storm event, and the repair exceeded the LMA's financial capacity, the State of California usually stepped in to repair the levee, often treating it as a capital project.

Conclusion

These sources coupled with past operations suggests that we actually have a fair amount of certainty as to what the RR&R obligation is and isn't, and what level of funding is required to satisfy the RR&R obligation:

- RR&R **is not** work undertaken to allow the facility to function better than in the as-built condition.
- RR&R **is not** work undertaken to address major, non-routine flood system damage caused by extreme floods or other rare events.
- RR&R **is** work undertaken to achieve the requirements of the O&M manual which largely covers routine maintenance.

As a result, an LMA's O&M budget (including RR&R) should be based on the level of funding required to achieve the requirements of the O&M manual with a reserve to fund repair, replacement, and rehabilitation of facilities that have a defined and predictable service life, such as a pump station or a gravity drain.

American River Flood Control District

SAFCA Agreement for OMRR&R

Staff Report March 2018

Discussion:

The Sacramento Area Flood Control Agency(SAFCA) has developed a levee improvement project to increase the level of protection of the District's Arcade Creek Levees. The project, called the North Sacramento Streams(NSS) Levee Improvement Project, will be cost-shared with the State of California(State). The State requires a Local Project Partnering Agreement with a local project sponsor such as SAFCA to assign roles, responsibilities, and cost-sharing provisions for the work.

The State also requires an Operation, Maintenance, Repair, Replacement, and Rehabilitation(OMRR&R) Agreement between the State and the local sponsors. In recent years, the State also identifies the Local Maintaining Agency as an entity that must be a party to the OMRR&R Agreement. In order for SAFCA to obtain cost-sharing funding to construct the NSS project, SAFCA staff believes that the District must sign the State OMRR&R Agreement.

In the past, the District provided assurances to the State that they would Operate and Maintain any levee facilities constructed and turned over to the District. It is not evident that the District has ever committed to Repair, Replace, or Rehabilitate(RR&R) any levee facilities.

Many Local Maintaining Agencies in the Central Valley are struggling with the idea of RR&R and their ability to pay for the enormous costs associated with RR&R. The Sutter Butte Flood Control Agency in the Yuba City area has acknowledged this discrepancy between the costs of RR&R and the small budgets of LMAs and has crafted an alternate definition for OMRR&R that better captures what an LMA could actually provide. This draft description of LMA OMRR&R is included in your materials for this agenda item.

During a recent meeting with District Legal Counsel and SAFCA staff, three possible options were identified to help SAFCA construct the NSS project with State funding:

1. Sign the OMRR&R Agreement
2. Sign the OMRR&R Agreement but include a transmittal letter indicating that the signature is only given because there is no feasible alternative
3. Sign the OMRR&R Agreement but indicate the District has an alternate definition of OMRR&R

Recommendation:

The General Manager recommends that the Board of Trustees choose one of the three listed options to sign the OMRR&R Agreement and thereby allow SAFCA to construct the NSS project with cost-shared State funding.

OPERATION, MAINTENANCE, REPAIR, REPLACEMENT, AND
REHABILITATION AGREEMENT BETWEEN
The Central Valley Flood Protection Board
AND
American River Flood Control District and
the Sacramento Area Flood Control Agency
FOR
The Levee Accreditation Project
North Sacramento Streams Levee Improvement Project

This Operation, Maintenance, Repair, Replacement, and Rehabilitation Agreement (“OMRR&R Agreement”) is entered into by and between the State of California (“State”), acting by and through the Central Valley Flood Protection Board, or any successor thereto, (“Board”), American River Flood Control District (“Local Maintaining Agency”), and, for the limited purpose of Section I.A.3., hereof, the Sacramento Area Flood Control Agency (“Funding Recipient”) on this _____ day of _____, 2017 in view of the following circumstances:

1. The North Sacramento Streams Levee Improvement Project (the “Project”) is being undertaken under the Department of Water Resources’ (Department) Urban Flood Risk Reduction (“UFRR”) Program. The Project is a part of the Sacramento River Flood Control Project which was authorized by Congress by Section 101(a)(1) of the Water Resources Development Act (WRDA) of 1996 (Pub. L. No. 104-303, § 101(a)(1), 110 Stat. 3658, 3662-3663 (1996)), as amended. Amendments to this authority are as follows: 1) Section 366 of WRDA of 1999 (Pub. L. 106-53, § 366, 113 Stat. 269, 319-20 (1999)); 2) Section 129 of the Energy and Water Development Appropriations Act (EWDAA) of 2004 (Pub. L. No. 108-137, § 129, 117 Stat. 269, 1839 (2003)); 3) Section 130 of the Consolidated Appropriations Act (CAA) of 2008 (Pub. L. No. 110-161, § 130, 121 Stat. 1844, 1947 (2007)); and 4) Section 7002 of the Water Resources Reform and Development Act (WRRDA) of 2014 (Pub. L. No. 113-121, §7002, 128 Stat. 1193, 1366 (2014)).and the Water Infrastructure Improvements for the Nation Act (WINN) of 2016 (Pub. L. No 114-322, §1401) and is a part of the Sacramento River Flood Control Project which was authorized by Congress on March 1, 1917, and amended on May 16, 1928, August 26, 1937, August 18, 1941, August 17, 1954, and July 14, 1960.
2. State funding had become available for the Project:
 - The voters of California approved the California Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E) on November 7, 2006, making available proceeds from the sale of general obligation bonds for flood control work and other purposes.
 - The State, acting by and through the Department of Water Resources (“Department”), solicited applications for funding for its Urban Flood Risk Reduction (UFRR) Program.
 - The Funding Recipient applied for funding and ~~signed an the~~ UFRR Funding Agreement- was executed on February 23, 2015 (“Funding Agreement”). This Funding ~~agreement~~Agreement is between the Department and the Sacramento Area Flood Control Agency (“Funding Recipient”) for the Project.
 - The Funding Agreement provides that the Funding Recipient will be responsible for construction, operation, maintenance, repair, replacement, and rehabilitation (“OMRR&R”) of projects on land and rights-of-way that will ultimately be transferred to the Sacramento and San Joaquin Drainage District, acting by and through the Board.

- The Department has agreed to enter into the Funding Agreement on the condition that the Funding Recipient enters into this OMRR&R Agreement under which ~~the Central Valley Flood Protection Board (“The Board”)~~Board will oversee OMRR&R for the Project for the State of California, as part of the State Plan of Flood Control.
 - Under the Funding Agreement, the Funding Recipient may agree to assume the responsibility of the Local Maintaining Agency as set out in this OMRR&R Agreement, or may agree with a Local Maintaining Agency that it shall assume responsibility for OMRR&R of the Project, provided that the Funding Recipient shall seek to assume responsibility for OMRR&R if for any reason the Local Maintaining Agency fails to perform under this OMRR&R Agreement.
 - The Funding Recipient has agreed with the Local Maintaining Agency that the Local Maintaining Agency shall assume responsibility for OMRR&R by entering into this OMRR&R Agreement.
 - The Department has agreed to enter into the Funding Agreement with the Funding Recipient on the condition that the Local Maintaining Agency enter into the OMRR&R Agreement and that the Funding Recipient shall seek to assume responsibility for OMRR&R if for any reason the Local Maintaining Agency fails to perform under this OMRR&R Agreement.
3. It is not expected that the federal government will provide funding for the Project at this time, but in anticipation that federal funds may become available eventually:
- The Funding Agreement requires the Funding Recipient to seek credit for the expenditures made under the Funding Agreement from the federal government, acting by and through the U.S. Army Corps of Engineers (“USACE”), and to enter into agreements necessary to obtain credit or reimbursement from the USACE.
 - The parties agree that this OMRR&R Agreement may be superseded by one or more agreements acceptable to the USACE, the Department, and the Board that gives satisfactory assurances to the federal government and the Board that the required local cooperation will be furnished in connection with the Project.
4. The Local Maintaining Agency agrees that it already has responsibility for ~~OMRR&R for~~ existing portions of the Project (as hereinafter defined and as depicted on the plat attached here to as Figure 1) under California Water Code Section 12642 which states, and under which the State contends, that in all cases where the Federal Government does not maintain and operate projects, it is the responsibility and duty of the county, city, state agency, or public district affected to maintain and operate flood control and other works, ~~after constructed pursuant to the Water Code, after their~~ completion, and hold and save the State and the United States free from damages.
5. The Board has agreed to enter into this OMRR&R Agreement on the condition that the Local Maintaining Agency provides the Board with the assurances specified in this OMRR&R Agreement that Local Maintaining Agency or Funding Recipient will be responsible for OMRR&R of the Project upon its completion; and will, as described below, hold and save the federal government, State, their representatives, officers, directors, and employees, including their attorneys, ~~as well as their successors and assigns,~~ free and harmless from any and all claims and damages arising from OMRR&R of the Project, and Funding Recipient will, as described below, hold and save the federal government, State, their representatives, officers, directors, and employees, including their attorneys, ~~as well as their successors and assigns,~~ free and harmless from any and all claims and damages arising from construction of the Project.

6. The Board, Funding Recipient, and the Local Maintaining Agency have agreed that this OMRR&R Agreement will set forth not only their agreement with respect to OMRR&R for the Project, but also for work funded under prior and future funding agreements related to the Project, on land and rights-of-way that have been or will ultimately be transferred to the Sacramento and San Joaquin Drainage District, acting by and through the Board, and all of the federally and State authorized flood facilities related to the project that are within the Local Maintaining Agency's boundaries.

NOW, THEREFORE, IT IS HEREBY AGREED:

For purposes of this OMRR&R Agreement, the terms below are defined as indicated:

“Board:” The State of California Central Valley Flood Protection Board or any successor thereto.

“Department:” The State of California Department of Water Resources.

~~**“Functional Portion of the Project:”** A completed portion of the Project to be constructed under the Overall Work Plan as determined by the Board to be suitable to operate and maintain in advance of completion of construction of the entire Project.~~

“Funding Agreement:” Agreement between the State of California Department of Water Resources and the Sacramento Area Flood Control Agency for The Levee Accreditation Project dated February 23, 2017, Agreement Number 4600011724, as amended.

“Funding Recipient:” The Sacramento Area Flood Control Agency (SAFCA), a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof, which is the signatory to the Funding Agreement.

“Local Maintaining Agency:” The American River Flood Control District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof, which has been designated by the Funding Recipient as the agency which will assume responsibility for OMRR&R for any Functional Portion of the North Sacramento Streams Levee Improvement Project.

“OMRR&R:” Operation, maintenance, repair, replacement, and rehabilitation of the Project.

“OMRR&R Agreement:” This agreement between the Central Valley Flood Protection Board, the Sacramento Area Flood Control Agency and American River Flood Control District for OMRR&R of the Project.

“Overall Work Plan:” The plan described in the Funding Agreement ~~in Paragraph [22],~~ as amended, and Funding Agreement Exhibit A, as amended.

“Post Construction Performance Reports:” This report shall be prepared annually in compliance with Assembly Bill 156 (Stats. 2007, ch. 368) and comply with Section 9140 of the California Water Code.

~~**“Project:”** The Project Site described in the Overall Work Plan, but also including all~~ **“Project:”** All of the federally and State authorized flood facilities to the extent to which they are within the Local Maintaining Agency's boundaries as shown in Figure 1.

“Project Site:” The location of the North Sacramento Streams Levee Improvement Project where permanent improvements are made to facilities of the State Plan of Flood Control.

“North Sacramento Streams Levee Improvement Project:” The ~~project~~ flood risk reduction project features of such North Sacramento Streams Levee Improvement Project as described in the Overall Work Plan described in the relevant Funding Agreement, as amended.

“Standard Operation and Maintenance Manual:” A document prepared by the Funding Recipient and approved by the Local Maintaining Agency and submitted to the State for review, comment and approval that will govern the operation, maintenance, repair, replacement and rehabilitation of the Project. This manual will include all manuals related to the State Plan of Flood Control facilities covered by this OMRR&R agreement, including those prepared by the USACE and/or Board for flood, ecosystem, habitat, mitigation or other purposes and any other such manuals.

“State:” The State of California, acting by and through the Board.

“State Plan of Flood Control:” The state and federal flood control works, lands, programs, plans, conditions, and mode of maintenance and operations described in Cal. Pub. Res. Code § 5096.805(j).

“USACE:” The United States Army Corps of Engineers.

SECTION I: Obligations of the Local Maintaining Agency, and, in part, the Funding Recipient.

A. General Obligations. The Local Maintaining Agency, and, in part, as provided in Subsection 3 and 4, below, the Funding Recipient agree to the following:

1. To cause to perform OMRR&R for the Project, without limitation, in accordance with the Project design specifications, environmental permits, environmental impact reports, regulations, and directions prescribed by the State, all without any cost to the State. The duties of the Local Maintaining Agency to perform OMRR&R for all State Plan of Flood Control Project features shall be performed in a manner that does not diminish the flood protection afforded by or jeopardize the structural integrity of the Project and the flood control system of which the Project is part. The duties of the Local Maintaining Agency pursuant to this paragraph are described further in Section I-B below.
2. To defend, indemnify, hold and save the federal government and the State, to the extent allowed by law, their representatives, officers, directors, agents, and employees, including their attorneys ~~as well as their successors and assigns~~ free and harmless, to the extent permitted by law, from any and all liability for any claims and damages (including inverse condemnation) that may arise out of this OMRR&R Agreement, including but not limited to any claims or damages arising from the construction and performance of OMRR&R under this Agreement.
3. The Funding Recipient agrees to defend, indemnify, hold and save the federal government and the State, to the extent allowed by law, their representatives, officers, directors, agents, and employees, including their attorneys ~~as well as their successors and assigns~~ free and harmless, to the extent permitted by law, from any and all liability for any claims and damages (including inverse condemnation) that may arise out of construction of the Project, and to assume responsibility for OMRR&R if for any reason the Local Maintaining Agency fails to perform under this Agreement.
4. The Funding Recipient agrees to cause to perform OMRR&R of all mitigation features of the Project, without limitation, in accordance with environmental permits, environmental impact reports, ~~regulations, and directions prescribed by the State, all without any cost to the State~~ and regulations.

B. Specific Obligations to Operate, Maintain, Repair, Replace, and Rehabilitate

1. The Local Maintaining Agency hereby accepts responsibility for OMRR&R of the Project. The Local Maintaining Agency agrees that it will be responsible for OMRR&R of the

Project as further explained in: (1) the Standard Operation and Maintenance Manual for the Project and (2) any applicable Supplement to the Standard Operation and Maintenance Manual for the Project.

2. The Local Maintaining Agency agrees to cooperate in the Funding Recipient's development of a Standard Operation and Maintenance Manual for State Plan of Flood Control features of the Project as required by Board permits issued to The Funding Recipient for the Project. The Standard Operation and Maintenance Manual for the Project or Functional Portions of the Project may be a stand-alone document or an amendment to the Standard Operation and Maintenance Manual for the Project as directed by the Board. The Local Maintaining Agency acknowledges and the Funding Recipient acknowledge that changes to the Standard Operation and Maintenance Manual of State Plan of Flood Control facilities may be made by the State and the USACE before the document becomes final. The State may make reasonable changes but shall consult with Local Maintaining Agency and Funding Recipient prior to making such changes. Local Maintaining Agency shall be required to update the Standard Operation and Maintenance Manual as may be necessary or as required by the Board and shall make a copy available to the State and Funding Recipient within three (3) days after the State or Funding Recipient so requests. Local Maintaining Agency shall be responsible for OMRR&R in accordance with any revised version of the Standard Operation and Maintenance Manual for the Project or any Supplement to the Standard Operation and Maintenance Manual.

3. The Local Maintaining Agency hereby gives the State and Funding Recipient the right to enter, at reasonable times and in a reasonable manner, upon the Project Site and land which it owns or controls for access to the Project Site for the purpose of: (i) conducting subsequent inspections to verify that the Local Maintaining Agency is complying with its obligations under this OMRR&R Agreement; and (ii) operating, maintaining, repairing, replacing, or rehabilitating any part of the Project located at or accessible by the Project Site in conjunction with any present or future flood control plan if in the reasonable judgment of State or Funding Recipient, the Local Maintaining Agency fails to comply with its obligations under this OMRR&R Agreement. In the event the State assumes title to any of the land to which the Local Maintaining Agency needs access to fulfill the obligations set forth in the paragraph, the State grants an irrevocable license to the Local Maintaining Agency and Funding Recipient to enter the land to fulfill its obligations under this OMRR&R Agreement.

4. If the Local Maintaining Agency has failed or refused to perform the obligations set forth in this OMRR&R Agreement or the requirements of the manuals mentioned above, ~~the State~~ Funding Recipient may take appropriate actions including proceedings to establish a maintenance area under Water Code Section 12878 *et seq.*

If the Local Maintaining Agency has failed or refused to perform the obligations set forth in this OMRR&R Agreement or the requirements of the manuals mentioned above, and for any reason the Funding Recipient is not able to take appropriate actions under these provisions of law, then the Funding Recipient may take appropriate actions under this OMRR&R Agreement as follows: If the failure or refusal constitutes, in the sole discretion of the Funding Recipient, a threat to the continued ability of the Project or functional portion thereof to perform in a manner necessary to provide its designed level of flood protection, then the Funding Recipient may itself perform the necessary work or do so by contract. The Funding Recipient may in its sole discretion develop a work plan and present it to the Local Maintaining Agency with instructions that if the Local Maintaining Agency does not agree to carry out the work plan within the time specified in the work plan, the Funding Recipient will perform the necessary work or do so by contract. The Local Maintaining Agency will reimburse the Funding Recipient for the costs of performing such work in accordance with the procedures set forth in this OMRR&R

Agreement. No completion, operation, maintenance, repair, replacement, or rehabilitation by the Funding Receipt shall operate to relieve the Local Maintaining Agency of responsibility to meet the Local Maintaining Agency's obligations as set forth in this OMRR&R Agreement, or to preclude the Funding Recipient from pursuing any other remedy at law or equity to ensure faithful performance pursuant to this OMRR&R Agreement.

5. If both the Local Maintaining Agency and the Funding Recipient have failed or refused to perform the obligations set forth in this OMRR&R Agreement or the requirements of the manuals mentioned above, the State may take appropriate actions including proceedings to establish a maintenance area under Water Code Section 12878 et seq.

If the both Local Maintaining Agency and the Funding Recipient have failed or refused to perform the obligations set forth in this OMRR&R Agreement or the requirements of the manuals mentioned above, and for any reason the State is not able to take appropriate actions under these provisions of law, then the State may take appropriate actions under this OMRR&R Agreement as follows: If the failure or refusal constitutes, in the sole discretion of the State, a threat to the continued ability of the Project or functional portion thereof to perform in a manner necessary to provide its designed level of flood protection, then the State may itself perform the necessary work or do so by contract. The State may in its sole discretion develop a work plan and present it to the Local Maintaining Agency and Funding recipient with instructions that if the Local Maintaining Agency and/or Funding Recipient does not agree to carry out the work plan within the time specified in the work plan, the State will perform the necessary work or do so by contract. The Local Maintaining Agency and/or Funding Recipient will reimburse the State for the costs of performing such work in accordance with the procedures set forth in this OMRR&R Agreement. No completion, operation, maintenance, repair, replacement, or rehabilitation by the State shall operate to relieve the Local Maintaining Agency and Funding Recipient of responsibility to meet the Local Maintaining Agency's their obligations as set forth in this OMRR&R Agreement, or to preclude the State from pursuing any other remedy at law or equity to ensure faithful performance pursuant to this OMRR&R Agreement.

C. Additional Obligations:

1. The Funding Recipient and/or Local Maintaining Agency shall annually review and, if appropriate or requested by the State, update the safety plan for the Project prepared pursuant to the relevant Funding Agreements or required by Cal. Water Code § 9650. The Funding Recipient and/or Local Maintaining Agency agrees to use best efforts to ensure that the updated safety plan is integrated into any other local agency emergency plan and is coordinated with the State emergency plan.
2. No later than September 30 of each calendar year Local Maintaining Agency shall provide an annual Post Construction Performance Report to the Department, in accordance with Water Code Section 9140 that pertain to the Project.
 - (a) If the Local Maintaining Agency is not the same as the Funding Recipient, the Local Maintaining Agency represents that it has made arrangements with the Funding Recipient to obtain any information needed from the Funding Recipient in order to prepare this report.
 - (c) The Department in its sole determination may modify these reporting requirements as needed to ensure that it has adequate information with which to perform its responsibilities.

3. Upon request, the Funding Recipient will provide the State with copies of Project Completion Reports prepared pursuant to the Funding Agreement.

SECTION II: Hazardous Substances

The Local Maintaining Agency ~~acknowledges~~ and Funding Recipient acknowledge State may incur obligations with respect to hazardous substances regulated under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. §§ 9601-9675; California Hazardous Substances Account Act, Calif. Health & Safety Code § 25310 *et seq.* or other statutes or regulations (collectively referred to as “state and federal Hazardous Substances Laws”) on lands necessary for Project construction and OMRR&R to the extent the Local Maintaining Agency fails to comply with its obligations under this OMRR&R Agreement. The Local Maintaining Agency agrees:

- A. That in the event that the Local Maintaining Agency discovers through an environmental investigation or other means that any lands, easements, or rights of way that have been acquired or provided for the Project contain reportable quantities of hazardous substances regulated under CERCLA and/or other state and federal Hazardous Substances Laws, the Local Maintaining Agency shall promptly notify the State and Funding Recipient of that discovery if it can be reasonably anticipated that the discovery of reportable quantities of hazardous substances will require Local Maintaining Agency to incur response costs in excess of \$10,000.

If the Funding Recipient is responsible for OMRR&R, that in the event that the Funding Recipient discovers through an environmental investigation or other means that any lands, easements, or rights of way that have been acquired or provided for the Project contain reportable quantities of hazardous substances regulated under CERCLA and/or other state and federal Hazardous Substances Laws, the Funding Recipient shall promptly notify the State and Local Maintaining Agency of that discovery if it can be reasonably anticipated that the discovery of reportable quantities of hazardous substances will require the Funding Receipt to incur response costs in excess of \$10,000.

- B. That in the event reportable quantities of hazardous substances regulated under CERCLA and/or other state and federal Hazardous Substances Laws have been found, the Local Maintaining Agency shall initiate and complete any and all necessary response and cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws, which shall include any studies and investigations necessary to determine the appropriate response to the contamination. Payment for the costs of such necessary response and cleanup activity as required under CERCLA and/or other state and federal Hazardous Substances Laws shall be made by the Local Maintaining Agency. In the event that the Local Maintaining Agency fails to provide the funds necessary for response and cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws or to otherwise discharge the Local Maintaining Agency’s responsibilities under this Paragraph B, then the State may perform the necessary response and cleanup activity, and the Local Maintaining Agency shall reimburse the State in accordance with the procedures set out in this OMRR&R Agreement. If the State performs the necessary response and cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws, the State shall consult with the Local Maintaining Agency concerning the selection of the person(s) to perform the work, the amount of money to be spent on the work, the scope of the work, and any other aspect of response and cleanup activity.

If the Funding Recipient is responsible for OMRR&R, that in the event reportable quantities of hazardous substances regulated under CERCLA and/or other state and federal Hazardous Substances Laws have been found, the Funding Recipient shall initiate and complete any and all necessary response and cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws, which shall include any studies and investigations necessary to determine the appropriate response to the contamination. Payment for the costs of such necessary response and cleanup activity as required under CERCLA and/or other state and federal Hazardous Substances Laws shall be made by the Funding Recipient. In the event that

the Funding Recipient fails to provide the funds necessary for response and cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws or to otherwise discharge the Funding Recipient's responsibilities under this Paragraph B, then the State may perform the necessary response and cleanup activity, and the Funding Recipient shall reimburse the State in accordance with the procedures set out in this OMRR&R Agreement. If the State performs the necessary response and cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws, the State shall consult with the Funding Recipient concerning the selection of the person(s) to perform the work, the amount of money to be spent on the work, the scope of the work, and any other aspect of response and cleanup activity.

- C. That the Local Maintaining Agency shall consult with the State in order to ensure that responsible persons under CERCLA and/or other state and federal Hazardous Substances Laws ultimately bear all necessary response and cleanup costs as defined in CERCLA and/or other state and federal Hazardous Substances Laws.

If the Funding Recipient is responsible for OMRR&R, that the Funding Recipient shall consult with the State in order to ensure that responsible persons under CERCLA and/or other state and federal Hazardous Substances Laws ultimately bear all necessary response and cleanup costs as defined in CERCLA and/or other state and federal Hazardous Substances Laws.

- D. That the Local Maintaining Agency shall operate, maintain, repair, replace, and rehabilitate the Project in a manner that will control and minimize the release or threatened release of hazardous substances regulated under CERCLA and/or other state and federal Hazardous Substances Laws on lands necessary for Project construction, operation, maintenance, repair, replacement, or rehabilitation.

If the Funding Recipient is responsible for OMRR&R, that the Funding Recipient shall operate, maintain, repair, replace, and rehabilitate the Project in a manner that will control and minimize the release or threatened release of hazardous substances regulated under CERCLA and/or other state and federal Hazardous Substances Laws on lands necessary for Project construction, operation, maintenance, repair, replacement, or rehabilitation.

- E. That in the event that the State, their representatives, officers, directors, employees, including their attorneys, as well as their successors and assigns, are found to be liable under CERCLA and/or other state and federal Hazardous Substances Laws for the release or threatened release of hazardous substances arising out of the operation, maintenance, repair, replacement, or rehabilitation of the Project, then the Local Maintaining Agency shall indemnify and hold the State, their representatives, officers, directors, employees, including their attorneys, as well as their successors and assigns, harmless from any response or cleanup costs for which the State, their representatives, officers, directors, employees, including their attorneys, as well as their successors and assigns, may be found to be liable under CERCLA and/or other state and federal Hazardous Substances Laws.

If the Funding Recipient is responsible for OMRR&R, that in the event that the State, their representatives, officers, directors, employees, including their attorneys, as well as their successors and assigns, are found to be liable under CERCLA and/or other state and federal Hazardous Substances Laws for the release or threatened release of hazardous substances arising out of the operation, maintenance, repair, replacement, or rehabilitation of the Project, then the Funding Recipient shall indemnify and hold the State, their representatives, officers, directors, employees, including their attorneys, as well as their successors and assigns, harmless from any response or cleanup costs for which the State, their representatives, officers, directors, employees, including their attorneys, as well as their successors and assigns, may be found to be liable under CERCLA and/or other state and federal Hazardous Substances Laws.

- F. No decision made or action taken pursuant to any provision of this Section of the Project OMRR&R Agreement shall relieve any responsible person from any liability that may arise under CERCLA and/or other state and federal Hazardous Substances Laws, nor shall such decision or action be considered a waiver by the State ~~or~~, the Local Maintaining Agency or the Funding Recipient of any right to seek from any responsible person as defined by CERCLA and/or other state and federal Hazardous Substances Laws the recovery, contribution of, or indemnification from costs incurred by the State ~~or~~, the Local Maintaining Agency or the Funding Recipient for response or cleanup activity required under CERCLA and/or other state and federal Hazardous Substances Laws, nor shall such decision or action be considered a waiver by the State of any other right or remedy provided by law.

SECTION III: Authorization for Delegation or Subcontracting

The Local Maintaining Agency or the Funding Recipient may delegate or subcontract its responsibilities under this OMRR&R Agreement. The Local Maintaining Agency or the Funding Recipient shall be responsible for all work to be performed under the contract, including any delegated work. The State shall have the right to ask that any services for this OMRR&R Agreement provided by any subcontractor be terminated if its performance is unsatisfactory.

Payment for services rendered by subcontractors shall be made entirely by the Local Maintaining Agency or the Funding Recipient; the State shall not have any responsibility for making any payments to the subcontractors for any services they may render in connection with this OMRR&R Agreement.

SECTION IV: Procedures for Reimbursing the State

If the Local Maintaining Agency fails to fulfill its obligations under this Agreement and if the failure or refusal constitutes, in the sole discretion of the State, a threat to the continued ability of the flood project to perform in a manner necessary to provide its designed level of flood protection, then the StateFunding Recipient, after notifying the Local Maintaining Agency and providing a sixty (60) day opportunity to cure period, may in its sole discretion develop a work plan and present it to the Local Maintaining Agency with instructions that if the Local Maintaining Agency does not agree to carry out, or is unable to carry out, the work plan within the time specified in the work plan, the StateFunding Recipient will perform the necessary work or do so by contract. The Local Maintaining Agency agrees, subject to compliance with applicable state law, to reimburse the StateFunding Recipient for the costs of performing such work in accordance with the procedures set forth in this Agreement. No completion, operation and maintenance, by the StateFunding Recipient shall operate to relieve the Local Maintaining Agency of responsibility to meet the Local Maintaining Agency's obligations as set forth in this Agreement, or to preclude the StateFunding Recipient from pursuing any other remedy at law or equity to ensure faithful performance pursuant to this Agreement.

If the Local Maintaining Agency and Funding Recipient fails to fulfill its obligations under this Agreement and if the failure or refusal constitutes, in the sole discretion of the State, a threat to the continued ability of the flood project to perform in a manner necessary to provide its designed level of flood protection, then the State, after notifying the Local Maintaining Agency and the Funding Recipient and providing a sixty (60) day opportunity to cure period, may in its sole discretion develop a work plan and present it to the Local Maintaining Agency and the Funding Recipient with instructions that if the Local Maintaining Agency or the Funding Recipient does not agree to carry out, or is unable to carry out, the work plan within the time specified in the work plan, the State will perform the necessary work or do so by contract. The Local Maintaining Agency and the Funding Recipient agree, subject to compliance with applicable state law, to reimburse the State for the costs of performing such work in accordance with the procedures set forth in this Agreement. No completion, operation and maintenance, by the State shall operate to relieve the Local Maintaining Agency or the Funding Recipient of responsibility to meet the Local Maintaining Agency's and the Funding Recipient's obligations as set forth in this Agreement, or to preclude the State from pursuing any other remedy at law or equity to ensure faithful performance pursuant to this Agreement.

SECTION V: Disputes

Before any party to the OMRR&R Agreement may bring suit in any court concerning an issue relating to this OMRR&R Agreement, that party must first seek in good faith to resolve the issue through negotiation or other forms of nonbinding alternative dispute resolution mutually acceptable to all parties.

SECTION VI: Obligation of Future Appropriations

The parties agree that nothing herein shall constitute, or be deemed to constitute, an obligation of future appropriations by the Legislature of the State of California, the Board of Directors of Funding Recipient, and the Board of Trustees of the Local Maintaining Agency.

SECTION VII: Term of Agreement; Amendment

The effective date of this OMRR&R Agreement is the date ~~it is signed by~~ all parties sign it. The OMRR&R Agreement will continue in full force and effect unless terminated or amended upon written consent of all parties.

The parties acknowledge that in order to obtain federal credits or reimbursement for this Project, it may be necessary to amend this OMRR&R Agreement as required by the USACE. The parties agree that they will not unreasonably withhold consent for any amendments necessary to obtain federal credits or reimbursement.

SECTION VIII: Notices

All notices, requests, demands, and other communications required or permitted to be given under this OMRR&R Agreement shall be deemed to have been duly given if in writing and delivered personally or mailed by first class (postage pre-paid), registered, or certified mail, as follows:

If to the Local Maintaining Agency:
American River Flood Control District
ATTN: General Manager
185 Commerce Circle
Sacramento, CA 95815

If to the Board:
Central Valley Flood Protection Board
ATTN: Executive Officer
3310 El Camino Avenue, Suite 170
Sacramento, CA 95821

If to the Funding Recipient:
Sacramento Area Flood Control Agency
ATTN: Executive Director
1007 7th Street, 7th Floor
Sacramento, CA 95814

A party may change the address to which such communications are to be directed by giving written notice to the other party in the manner provided in this section.

Any notice, request, demand, or other communication made pursuant to this section shall be deemed to have been received by the addressee at such time as it is personally delivered or seven (7) calendar days after it is mailed, as the case may be.

SECTION IX: Standard Conditions

This OMRR&R Agreement incorporates by reference the standard conditions that are included in Attachment A to this OMRR&R Agreement.

SECTION X: Authority

The Funding Recipient and the Local Maintaining Agency have each provided a copy of a resolution adopted by its governing body designating a representative to execute this OMRR&R Agreement. This resolution is substantially the same as the draft resolution provided in Attachment B to this OMRR&R Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this OMRR&R Agreement.

The Central Valley Flood Protection Board

American River Flood Control District

By _____
Leslie M. Gallagher,
Executive Officer

By _____
Timothy R. Kerr,
General Manager

Date: _____

Date: _____

Approved as to Legal Form
and Sufficiency:

Approved as to Legal Form
and Sufficiency:

Kenwarjit Dua,
Board Counsel

David Aladjem,
District Legal Counsel

Sacramento Area Flood Control Agency

By _____
Jason Campbell,
Deputy Executive Director

Approved as to Legal Form
And Sufficiency:

M. Holly Gilchrist,
Agency Counsel

Attachment A

STANDARD CONDITIONS

1. **GOVERNING LAW:** This OMRR&R Agreement is governed by and shall be interpreted in accordance with the laws of the State of California.
2. **TIMELINESS:** Time is of the essence in this OMRR&R Agreement.
3. **AMENDMENT:** This OMRR&R Agreement may be amended at any time by mutual agreement of the Parties, except insofar as any proposed amendments are in any way contrary to applicable law. Requests by the Local Maintaining Agency for amendments must be in writing stating the amendment request and the reason for the request. State shall have no obligation to agree to an amendment.
4. **SUCCESSORS AND ASSIGNS:** This OMRR&R Agreement and all of its provisions shall apply to and bind the successors and assigns of the parties. No assignment or transfer of this OMRR&R Agreement or any part thereof, rights hereunder, or interest herein by the Local Maintaining Agency shall be valid unless and until it is approved by State and made subject to such reasonable terms and conditions as State may impose.
5. **INSPECTION OF BOOKS, RECORDS, AND REPORTS:** During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and to make copies of any books, records, or reports of either party pertaining to this OMRR&R Agreement or matters related hereto. Each of the parties hereto shall maintain and shall make available at all times for such inspection accurate records of all its costs, disbursements, and receipts with respect to its activities under this OMRR&R Agreement. Failure or refusal by Local Maintaining Agency to comply with this provision shall be considered a breach of this OMRR&R Agreement, and State may take any other action it deems necessary to protect its interests, after complying with paragraph V of the OMRR&R Agreement.
6. **PROHIBITION AGAINST DISPOSAL OF PROJECT WITHOUT STATE PERMISSION:** Local Maintaining Agency shall not sell, abandon, lease, transfer, exchange, mortgage, hypothecate, or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with the Project, without prior permission of State. Local Maintaining Agency shall not take any action, including but not limited to actions relating to user fees, charges, and assessments that could adversely affect the ability of Local Maintaining Agency meet its obligations under this OMRR&R Agreement, without prior written permission of State. State may require that the proceeds from the disposition of any real or personal property acquired, reimbursed or credited with State funds be remitted to State.
7. **NO THIRD PARTY RIGHTS:** The parties to this OMRR&R Agreement do not intend to create rights in, or grant remedies to, any third party as a beneficiary of this OMRR&R Agreement, or of any duty, covenant, obligation or undertaking established herein.
8. **OPINIONS AND DETERMINATIONS:** Where the terms of this OMRR&R Agreement provide for action to be based upon, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.
9. **SUIT ON OMRR&R AGREEMENT:** Each of the parties hereto may sue and be sued with respect to this OMRR&R Agreement.
10. **REMEDIES NOT EXCLUSIVE:** The use by either party of any remedy specified herein for the enforcement of this OMRR&R Agreement is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

11. **SEVERABILITY:** Should any portion of this OMRR&R Agreement be determined to be void or unenforceable, such shall be severed from the whole and the OMRR&R Agreement shall continue as modified.
12. **WAIVER OF RIGHTS:** None of the provisions of this OMRR&R Agreement shall be deemed waived unless expressly waived in writing. It is the intention of the parties hereto that from time to time either party may waive any of its rights under this OMRR&R Agreement unless contrary to law. Any waiver by either party of rights arising in connection with the OMRR&R Agreement shall not be deemed to be a waiver with respect to any other rights or matters, and such provisions shall continue in full force and effect.
13. **TERMINATION FOR CAUSE:** The State may terminate this OMRR&R Agreement should Local Maintaining Agency fail to perform the requirements of this OMRR&R Agreement at the time and in the manner herein provided or in the event of a default by the Funding Recipient under the relevant Funding Agreement.
14. **INDEPENDENT CAPACITY:** Local Maintaining Agency, and the agents and employees of Local Maintaining Agencies, in the performance of the OMRR&R Agreement, shall act in an independent capacity and not as officers, employees, or agents of the State.
15. **CONFLICT OF INTEREST**
- a) **Current State Employees:** No State officer or employee shall engage in any employment, activity, or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any State agency, unless the employment, activity, or enterprise is required as a condition of regular State employment. No State officer or employee shall contract on his or her own behalf as an independent contractor with any State agency to provide goods or services.
- b) **Former State Employees:** For the two-year period from the date he or she left State employment, no former State officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract while employed in any capacity by any State agency. For the twelve-month period from the date he or she left State employment, no former State officer or employee may enter into a contract with any State agency if he or she was employed by that State agency in a policy-making position in the same general subject area as the proposed contract within the twelve-month period prior to his or her leaving State service.
- c) **Employees of the Local Maintaining Agency:** Employees of the Local Maintaining Agency shall comply with all applicable provisions of law pertaining to conflicts of interest, including but not limited to any applicable conflict of interest provisions of the California Political Reform Act, Cal. Gov't Code § 87100 *et seq.*
- d) **Employees of and Consultants to the Local Maintaining Agency:** Individuals working on behalf of a Local Maintaining Agency may be required by the Department to file a Statement of Economic Interests (Fair Political Practices Commission Form 700) if it is determined that an individual is a consultant for Political Reform Act purposes.
16. **WORKERS' COMPENSATION:** Local Maintaining Agency affirms that it is aware of the provisions of Labor Code Section 3700 *et seq.*, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and Local Maintaining Agency affirms that it will comply with such provisions before commencing the performance of the work under this OMRR&R Agreement and will make its contractors and subcontractors aware of this provision.

17. **AMERICANS WITH DISABILITIES ACT:** By signing this OMRR&R Agreement, Local Maintaining Agency assures State that it complies with the Americans with Disabilities Act (ADA) of 1990, (42 U.S.C., 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.
18. **NONDISCRIMINATION CLAUSE:** During the performance of this OMRR&R Agreement, Local Maintaining Agency and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Local Maintaining Agency and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Local Maintaining Agency and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Local Maintaining Agency and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

Local Maintaining Agency shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the OMRR&R Agreement.

19. DRUG-FREE WORKPLACE CERTIFICATION

Certification of Compliance: By signing this OMRR&R Agreement, Local Maintaining Agency, its contractors or subcontractors hereby certify, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and, if such Act applies to Local Maintaining Agency, have or will provide a drug-free workplace by taking the following actions:

a) Publish a statement notifying employees, contractors, and subcontractors that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees, contractors, or subcontractors for violations, as required by Government Code Section 8355(a)(1).

b) Establish a Drug-Free Awareness Program, as required by Government Code Section 8355(a)(2) to inform employees, contractors, or subcontractors about all of the following:

1. The dangers of drug abuse in the workplace,
2. Local Maintaining Agency's policy of maintaining a drug-free workplace,
3. Any available counseling, rehabilitation, and employee assistance programs, and
4. Penalties that may be imposed upon employees, contractors, and subcontractors for drug abuse violations.

c) Provide as required by Government Code Sections 8355(a)(3), that every employee, contractor, and/or subcontractor who works under this OMRR&R Agreement:

1. Will receive a copy of Local Maintaining Agency's drug-free policy statement, and
2. Will agree to abide by terms of Local Maintaining Agency's condition of employment, contract or subcontract.

Suspension of Payments: This OMRR&R Agreement may be subject to suspension of payments or termination, or both, and Local Maintaining Agency may be subject to debarment if the State determines that:

- a) Local Maintaining Agency, its contractors, or subcontractors have made a false certification, or
 - b) Local Maintaining Agency, its contractors, or subcontractors violates the certification by failing to carry out the requirements noted above.
20. UNION ORGANIZING: Local Maintaining Agency, by signing this OMRR&R Agreement, hereby acknowledges the applicability of Government Code 16645 through 16649 to this OMRR&R Agreement. Furthermore, Local Maintaining Agency, by signing this OMRR&R Agreement, hereby certifies that:
- a) No State funds disbursed by this OMRR&R Agreement will be used to assist, promote, or deter union organizing.
 - b) Local Maintaining Agency shall account for State funds disbursed for a specific expenditure by this OMRR&R Agreement to show those funds were allocated to that expenditure.
 - c) Local Maintaining Agency shall, where State funds are not designated as described in (b) above, allocate, on a pro rata basis, all disbursements that support the program.
 - d) If Local Maintaining Agency makes expenditures to assist, promote, or deter union organizing, Local Maintaining Agency will maintain records sufficient to show that no State funds were used for those expenditures and that Local Maintaining Agency shall provide those records to the Attorney General upon request.
21. COMPUTER SOFTWARE: Local Maintaining Agency certifies that it has appropriate systems and controls in place to ensure that state funds will not be used in the performance of this OMRR&R Agreement for the acquisition, operation, or maintenance of computer software in violation of copyright laws.
22. DELIVERY OF INFORMATION, REPORTS, AND DATA: Local Maintaining Agency agrees to expeditiously provide, during work on the Urban Flood Risk Reduction Program and throughout the term of this OMRR&R Agreement, such reports, data, information, and certifications as may be reasonably required by State.
23. RIGHTS IN DATA: Local Maintaining Agency agrees that all data, plans, drawings, specifications, reports, computer programs, operating manuals, notes, and other written or graphic work produced in the performance of this OMRR&R Agreement shall be made available to the State and shall be in the public domain to the extent to which release of such materials is required under the California Public Records Act, Cal. Gov't Code §§ 6250 *et seq.* Local Maintaining Agency may disclose, disseminate and use in whole or in part, any final form data and information received, collected, and developed under this OMRR&R Agreement, subject to appropriate acknowledgement of credit to State for financial support. Local Maintaining Agency shall not utilize the materials for any profit-making venture or sell or grant rights to a third party who intends to do so. The State shall have the right to use any data described in this paragraph for any public purpose.
23. CHILD SUPPORT COMPLIANCE ACT: For any OMRR&R Agreement in excess of \$100,000, the Funding Recipient acknowledges in accordance with Public Contract Code 7110, that:
- a) The Funding Recipient recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings

assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

b) The Funding Recipient, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

24. PRIORITY HIRING CONSIDERATIONS: If this OMRR&R Agreement includes services in excess of \$200,000, the Funding Recipient shall give priority consideration in filling vacancies in positions funded by the OMRR&R Agreement to qualified recipients of aid under Welfare and Institutions Code Section 11200 in accordance with Pub. Contract Code § 10353.
25. DOMESTIC PARTNERS: For contracts over \$100,000 executed or amended after January 1, 2007, the Funding Recipient certifies by signing this OMRR&R Agreement, under penalty of perjury under the laws of State of California that Funding Recipient is in compliance with Public Contract Code section 10295.3
26. LOCAL MAINTAINING AGENCY NAME CHANGE: Approval of the State is required to change the Local Maintaining Agency's name as listed on this OMRR&R Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.
27. AIR OR WATER POLLUTION VIOLATION: Under State laws, the Local Maintaining Agency shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution

Section 9 Inspection and Maintenance

Inspection and maintenance requirements are generally described in the USACE *Standard Operation and Maintenance Manual for the Sacramento River Flood Control Project*, the Supplement Manuals, and DWR's *Superintendent's Guide to Operation & Maintenance of California's Flood Control Projects*. These documents, as well as any manufacturer's instructions for specialized features and/or appurtenances should be readily available at all times. Additional inspection and maintenance guidance, forms, and checklists are included in **Appendix I** (attached).

For purposes of this local agency supplement manual, Maintenance is defined using the definition from the *Flood System Long-Term Operations, Maintenance, Repair, Rehabilitation, and Replacement Cost Evaluation* prepared by DWR as part of the 2017 CVFPP Update as:

Maintenance includes routine activities that need to be performed to keep the system operational. Maintenance is further defined to include minor repairs, rehabilitation, and replacement of items as necessary to keep the system in good working condition.

Typical activities involved in routine repairs, rehabilitation, and replacement as part of routine maintenance are generally described below and are described in more detail later in this section. For purposes of this manual, routine repair and rehabilitation are generally referred to as repair.

Routine or periodic maintenance includes activities that must be performed annually or semiannually, including vegetation management (such as invasive species and channel snags), sediment removal, mowing, rodent and burrowing vector control to maintain levee integrity, minor erosion repair, levee crown repairs, crown road surfacing, and bank stabilization. Other typical activities include maintaining pumping plants, gates and closure structures, and other appurtenant flood control facilities as necessary.

Major repairs resulting from levee breaches, deep underseepage repairs, large slips with large stability failures, or erosion damage that threatens the integrity or stability of the levee are beyond the capacity of the LMAs to address as part of routine OMRR&R. Furthermore, repairs or improvements to the levee or appurtenant structures that may be needed in the future in order to meet updated design criteria are not included in routine OMRR&R.

The specific actions to be taken by the LMAs for routine inspection and maintenance of the levee and appurtenant structures are outlined in this section. **This document is general and preliminary in nature. Specific details of OMRR&R actions are currently in development.**

9.1. General

As indicated in the USACE *Standard Operation and Maintenance Manual for the Sacramento River Flood Control Project*, inspections should be completed by the LMA under the following circumstances:

- 1) Immediately prior to the beginning of each flood season;
- 2) Immediately following each major high-water period (i.e.: when the river stage exceeds the elevation of the landside levee toe);
- 3) At intervals not exceeding 90 days;
- 4) At intermediate times as may be necessary to confirm the levee is properly maintained; and

5) Following significant earthquakes in the vicinity of the project as shown below:

<u>Magnitude</u>	<u>Distance to Epicenter</u>
$5 > M$	less than 10 miles
$5 < M < 6$	less than 30 miles
$M > 6$	less than 50 miles

9.2. Levees and Embankments

Crown Roadways and Access Roads

The crown roadway, ramps, and access roads should be properly maintained and kept serviceable. Levee crown roadway and access roads need to be maintained to be free of ruts, pot holes, or other depressions. The levee crown and access road crowns should also be maintained so that they drain properly without any ponded water.

This work involves periodically grading and gravelling road surfaces following the same procedures and requirements outlined in Section 4 of the *Superintendent's Guide to Operation & Maintenance of California's Flood Control Projects*. Other specific actions for LD1 to be added.

Cracking and Slips

Repair of cracking and slips that are less than four feet in depth, and that do not encroach into the theoretical levee prism or threaten the structural integrity / stability of the levee are included as part of routine maintenance. Repairs for slips and cracking more than four feet in depth, those that encroach into the theoretical levee prism, or those that threaten the structural integrity or stability of the levee are not included in routine OMRR&R.

Any cracks or slips should be immediately marked on the ground, reported to the LMA General Manager, and evaluated by a registered civil engineer with levee experience and remedial measures implemented, as determined necessary.

All cracks greater than one inch wide in the levee crown or slopes should be repaired using the following procedure: 1) remove and salvage the gravel surfacing material on the levee crown; 2) excavate the levee crown and/or slope along the crack to the full depth of the crack; 3) backfill the excavation with compacted clayey material placed in thin lifts and meeting the material property and compaction requirements for the original levee construction; 4) replace and compact the gravel surfacing over the levee crown; and 5) stabilize the repaired area on the levee slope using an erosion mat or fabric, and reseed it to re-establish the ground cover.

Localized sloughing and slips should be immediately repaired and the areas promptly stabilized and revegetated, if needed. These repairs should be made with earth that is free from brush, roots, sod, or other unsuitable material. The materials should be placed in 6-inch-thick lifts and compacted in accordance with Title 23. Other specific repair actions for LD1 to be added.

Erosion and Riprap Revetment

Repair of erosion damage, scour holes, or bank caving caused by high water events, heavy rains, or wave wash action that are less than four feet in depth and that do not encroach into the theoretical levee prism or threaten the structural integrity / stability of the levee are included as part of routine maintenance. Repairs for erosion damage that are more than four feet in depth,

encroach into the theoretical levee prism, or damage that threaten the structural integrity or stability of the levee are not included in routine OMRR&R.

Dragging, seeding and mulching of the levee slopes to repair minor surface erosion or irregularities and to prevent serious erosion should be performed when needed. Procedures for dragging should be implemented as outlined in Section 4.22 of DWR's *Superintendent's Guide to Operation & Maintenance of California's Flood Control Projects*.

Erosion, scour holes or bank caving should be immediately repaired and the areas promptly stabilized and revegetated, if needed. These repairs should be made with earth that is free from brush, roots, sod, or other unsuitable material. The materials should be placed in 6-inch-thick lifts and compacted in accordance with Title 23. Rock slope protection or riprap that becomes dislodged or displaced should be replaced. **Other specific repair actions for LD1 to be added.**

Cutoff Walls

The cutoff wall acts as an impervious barrier and should not be penetrated or encroached at any location. Modification or repair work in the vicinity of the SB, CB, or SCB cutoff walls should include provisions to avoid damaging the cutoff wall. Proposed future utilities should be placed over the existing cutoff wall. Repairs or improvements to cutoff walls are not part of routine OMRR&R.

Rodent Activity

Ground squirrels, beavers, and other burrowing rodents can threaten the structural integrity of levees by loosening soil which increases the risk of erosion and sloughing, reduces the length of the seepage path, and increases the seepage gradient and the likelihood of piping-type erosion failures. Therefore, a continuous rodent control program should be implemented.

The rodent control program should use the same procedures and requirements as outlined in Section 5 of DWR's *Superintendent's Guide to Operation & Maintenance of California's Flood Control Projects*. Animal dens and runways should be opened up and backfilled with compacted fill or pumped full of a grout mixture. **Other specific repair actions for LD1 to be added.**

Vegetation Management

DWR has established a Life Cycle Management (LCM) approach for maintaining vegetation on levees. The LCM generally applies to a Vegetation Management Zone (VMZ) consisting of the entire landside levee slope (and berm) plus 15 feet beyond the landside toe, the levee crown, and the top 20 feet (slope length) of the waterside levee slope (see Section 7.16.7 of the ULDC for more information). LCM achieves visibility and accessibility criteria while progressing gradually (over many decades) toward the current USACE vegetation policy goal of eventually eliminating woody vegetation from the VMZ.

Mowing, grazing, burning, spraying, and/or discing of low-lying vegetation and trimming, pruning, and/or removal of woody vegetation may be needed in order to ensure that vegetation is maintained in accordance with the LCM.

LCM provides that:

- The required removal of immature trees and other woody vegetation less than four inches in diameter at breast height is conducted in consultation with the appropriate resources agencies.
- Trees and other woody vegetation beyond this size (that do not pose an unacceptable threat to levee integrity) may live out their normal lives on the levee.
- Throughout their lives and after their deaths, these trees and other woody vegetation are periodically evaluated and, if found to pose an unacceptable threat to levee integrity, would be removed.

Therefore, trees and other woody vegetation on the levee and within 15 feet of the levee toe that pose an unacceptable threat to the integrity of the levee need to be removed, and associated root balls and roots should be appropriately remediated. At a minimum, all roots larger than 1.5 inches in diameter that are within 3 feet of the perimeter of the tree trunk will be removed. Immature trees less than 4 inches in diameter at breast height that are removed may be cut off at or below ground level, generally without root removal. More extensive root removal may be required, depending upon the location, size, and type of tree; the quantity, orientation, and size of the roots; the dimensions of the levee; the composition of the levee and foundation; and the levee features that address seepage and underseepage. Less extensive root removal may be justified where roots from adjacent trees would be unduly damaged. Any excavation resulting from the above actions should be backfilled with engineered fill using appropriate placement, moisture conditioning, and compaction methods.

Trees and other woody vegetation that do not pose an unacceptable threat do not need to be removed. As part of the routine O&M, trees and other woody vegetation that are not removed must be monitored to identify changing conditions that could cause any of these remaining trees and other woody vegetation to pose an unacceptable threat to levee integrity. Trees allowed to remain must be trimmed five feet above the ground level (12-foot clearance is needed above the levee crown) in order to maintain visibility and access within the VMZ.

Sod-forming grasses and ground covers which permit inspection and flood fighting are necessary to prevent erosion on the levee embankment and slopes. Ground cover should be maintained at 12 inches in height or less. The levee crown should be kept free of vegetation. Inspections should determine if there is good coverage of sod over the levees and should also note those areas that are deficient. No action should be taken (such as burning grass and weeds during inappropriate seasons) which may retard or destroy the growth or sod. Broadleaf weeds growing among desirable grasses should be controlled by selective herbicides. Brush and weeds should be trimmed, thinned, or removed as needed to maintain visibility and access within the VMZ.

Authorized mowing, burning, spraying, managed grazing, and other vegetation management procedures should be implemented as outlined in Section 3 of DWR's *Superintendent's Guide to Operation & Maintenance of California's Flood Control Projects*. **Other specific repair actions for LD1 to be added.**

9.3. Stability Berms and Seepage Berms

Stability berms and seepage berms should be maintained in the same manner that the levee embankments are maintained. Vegetation and rodent control in these areas is important so that the berm

geometry does not change and is free from borrows or voids. **Other specific repair actions for LD1 to be added.**

9.4. Pipe Penetrations

The known penetrations through or over the levee are summarized in Table 4 (attached). The penetrations must be clear of debris and structurally sound. If significant settlement or seepage is detected along a pipe, a registered civil engineer with seepage and levee experience should be contacted for repair measures. Additionally, exposed portions of pipe and culvert penetrations must be visually inspected at least annually.

All flap gates, slide gates, vaults, head walls and other appurtenances should be inspected (and the mechanical devices lubricated if recommended by the manufacturer) at least once per year just before the flood season. During the inspection, all gates should be operated and any debris or obstructions removed. All gate seats should be checked and, if the gate is not seating properly, the frames should be readjusted. The inlet and outlet channels and pump station sumps should be kept free of debris, trees, brush, and sediment.

The interiors of all pipes and culvert penetrations must be visually inspected and/or pressure tested every five years. Pipes and culverts that could be damaged by corrosion should be further examined for signs of interior and exterior corrosion. Inspections of the exterior should be performed in representative areas where the pipe or culvert is in contact with the levee embankment and/or foundation soils. Corrosion assessment inspections performed from the interior can be completed using non-destructive means such as ultrasonic or electrical conductivity measurements.

Pipes that are found to be structurally damaged or near the end of their useful life need to be replaced. Replacement is the responsibility of the owner of the pipe/penetration. **Other specific repair actions and specific pipe details for LD1 to be added.**

9.5. Encroachments

Known encroachments are summarized in Table 5 (attached). During routine inspections, LMA personnel should check to determine if trash, debris, excavations, structures, or other obstructions are present within the physical levee prism or within the waterside and landside easements. If non-permitted encroachments are observed, the LMA should contact the encroaching entity by mail and instruct them to remove the encroachment. The LMA should also notify the CVFPB of any non-permitted encroachments. Any levee modification, including utility penetrations, must be reviewed and approved via the normal encroachment permit process through the CVFPB. **Other specific repair actions and specific encroachment details for LD1 to be added.**

9.6. Pump Stations

The pump station near Levee Mile 4.39 (Star Bend) must be inspected and maintained by LD1 as necessary to properly drain the relief wells that it serves. Routine maintenance activities include, but are not limited to: rewinding the motor, inspecting and replacing the pump bowls as needed (approx. every ten years), as well as maintenance of the electrical panel and motor control units. **Other specific repair actions and pump station details for LD1 to be added.**

9.7. Railroad Flood Gates

During routine inspections, all permanent components of the UPRR Closure Structure located at Levee Mile 16.10 should be inspected by LD 1 to verify that they are intact. If damage is noted, it should be repaired as soon as practical.

Additionally, all temporary components of the UPRR Closure Structure must be visually inspected at least once each year to verify that all components are present and in good condition. If any damage is noted, it should be repaired as soon as practical.

At least once every two years, LD1 will assemble, install and then disassemble the closure structure. It is estimated that installation and disassembly of the closure structure takes approximately four hours with a well-trained crew of four people. Prior to installation of the closure structure, the UPRR Response Management Communication Center (RMCC) must be contacted at 1-888-877-7267 in order to request approval from UPRR that activities can be completed within the allowable track windows. This testing may not occur without prior approval from UPRR. Sand bagging at the closure structure is not necessary during these periodic inspections and training exercises. (Will update this section if we can add a mock-up assembly station in the LD-1 maintenance yard).

9.8. Relief Wells

Relief well access points must be maintained so that cover plates can be easily removed for inspection of the tees and surrounding piping. The outfall structures must be kept clear of debris or other material that may affect the operation of the outlet pipe flap gates.

The relief wells should be pump-tested, swabbed/cleaned, and sounded by the LMA every five years using the procedures outlined in USACE EM 1110-2-1914, Chapter 8. The purpose of these tests is to measure the efficiencies and flow capacities of the wells and to determine whether sediment or other debris have been deposited in the wells. All wells requiring sediment removal must be pump-tested after sediment has been removed to confirm that the well efficiency has not decreased by more than 20 percent due to the presence of foreign material in the well.

During pump tests, runoff must be directed through the lateral pipes toward the outfall structures in order to check that the lines are free of blockages and that the flap gates function properly. Sediment amounts in the relief wells must be measured by sounding a well before and after pump tests. If significant algae or other biological growth is suspected within a well, it must be cleaned as described in USACE EM 1110-2-1914. If efficiencies are less than 80 percent of those recorded at the time of installation, corrective measures per USACE EM 1110-2-1914, Chapters 10 and 11 should be employed. If corrective measures are implemented but do not improve performance to at least 80 percent of the original efficiency, the well should be replaced.

Any items that are malfunctioning or have been damaged must be replaced by the LMA. Any condition that prohibits flow into or out of relief wells could result in potentially unstable and hazardous conditions. Malfunctioning and damage to the relief wells can be caused by vandalism, breakage, or excessive deformation of the well screens due to ground movements, corrosion or erosion of the well screen. Repairs to relief wells should be made in accordance with USACE EM 1110-2-1914.

Reliefwells must be replaced upon reaching 50 years of service life. If non-functioning relief wells cannot be repaired and are found to be no longer acceptable due to collapse, excessive sediment production or other conditions, they should be properly abandoned and replaced. Abandoned wells

should be sealed following procedures established by Yuba County and the California Water Well Standards (Bulletins 74-90 and 74-81). New well replacements should be installed and operational before the old ones are abandoned.

9.9. Piezometers

Maintenance of the piezometers associated with the relief well fields should include evaluations of the following items:

- The LMA should inspect the piezometer and cables to verify that they are in good condition and have not been tampered with.
- The LMA should sound each piezometers and record the groundwater elevation to the nearest 0.1 foot on an annual basis and compare with piezometer readings.
- DWR should evaluate the recorded groundwater elevation and river stage annually, and compare with predicted values to evaluate the performances of the piezometers and relief wells.

The piezometers associated with the relief well fields do not require regular maintenance, except when depth sounding indicates that a discrepancy exists between piezometer readings and sounded depth. When this is the case, the piezometers should be replaced by the LMA.

If a piezometer appears to be malfunctioning (i.e.: water levels in the well do not rise and fall with river stages or seasonal fluctuations, or differ significantly from nearby wells), the well should be redeveloped by removing the piezometer, pumping approximately 1,000 gallons out of the well, and allowing the groundwater readings to recover. If this does not resolve the issue, the well may need to be redeveloped or abandoned and replaced.

9.10. Data Collection and Telemetry System

Recommended maintenance of the data collection and telemetry system by the LMA includes:

- Maintain the fence, gates and locks that protect the data collection and telemetry system.
- Maintain the fire break slab to be free of vegetation and soil build-up.
- Maintain the enclosure cabinet in sound condition to protect the equipment from vandalism, rain and dust. Replace the desiccant packs in the cabinet annually in order to control humidity within the cabinet.
- Replace cables, wires, data logger, modem, etc., as needed.
- A voltage meter is included with the data collection and telemetry system so that the 12VDC battery can be changed when necessary. The battery pack for the data controller/logger and cellular module is expected to last approximately three months based on the settings described in Section 4.1, and can vary depending on the frequency and duration of the data collection and transmission to Valarm CDEC. The battery usage will be monitored by the LMA after construction, and the settings will be adjusted by the LMA as needed to balance data collection/transmission intervals and battery life. The procedure for making adjustments to the data logger settings via the cloud-based server is described in Appendix G. It is recommended that the battery be recharged when the voltage drops below 10.5 volts.
- Recommended maintenance for the data logger and cellular module should be performed as described in their respective instruction manuals. See Appendix G for product data details (will

include when construction is complete and component manuals are available).

9.11. Observation Wells

The relief wells that were converted to observation wells between Stations 846+64 and 926+69 do not need to be inspected or maintained. **Other specific abandonment criteria for LD1 to be added.**

9.12. Fences, Gates, and Signs

Fences, gates, concrete barriers, and bollards must be inspected and maintained by the LMA as necessary to maintain access control to the levee and appurtenant structures. Routine maintenance activities include, but are not limited to: replacing lock mechanisms, replacing bollards, repairing and replacing fences or gates that have been vandalized, and painting/coating metal surfaces prone to corrosion.

Additionally, signs and mile markers need to be maintained as necessary to maintain visibility. Signs or markers that are corroded, damaged, or stolen need to be repaired or replaced as necessary. **Other specific repair actions/locations for LD1 to be added.**

9.13. Canals

There is an existing canal along the landside toe of the levee from **RM X to Y**. This canal mitigates seepage issues in this segment as long as it is kept full of water during high water events.

The canal should be properly maintained as needed to be able to convey water. If any vegetation or other flow obstructions are identified, the LMA should request that the obstructions be removed by the canal owners as soon as possible. Similarly, if scour or erosion is identified along the canal, the LMA should request that the damage be repaired by the canal owners as soon as possible. If the necessary actions are not performed by the canal owner, the LMA should work with the CVFPB to have the issue addressed as an enforcement action. **Other specific repair actions for LD1 to be added.**

9.14. Habitat Mitigation

Information from the Star Bend Levee Setback O&M manual, as well as other specific actions for LD1 to be added.

9.15. Routine Geotechnical Explorations

Routine geotechnical explorations, potholing, evaluations, and/or assessments may be required for routine repairs. The LMA is responsible for retaining a qualified geotechnical engineer to perform these services as needed.

9.16. Record Keeping

A permanent record should be maintained of all levee inspection and maintenance activities. Records should include dated inspection reports, conditions observed (including a description of the specific locations), and maintenance actions taken. Data collected should include relief well water levels and flows, and piezometer levels, together with river stages. All records must be kept by the LMA.

General Manager's Meeting Summary – March 2018

3/1: SAFCA OMRR&R meeting. Legal Counsel Aladjem and I met with SAFCA staff and their consultant to discuss the North Sacramento Streams OMRR&R Agreement. A key topic of the meeting was the definition of the 3 R's (Repair, Replace, and Rehabilitate). There is some discrepancy between what a local levee maintaining agency thinks is appropriate and attainable under the 3 R's and what the State may want to transfer under its agreement. ARFCD staff offered to present the SAFCA Agreement to the Board of Trustees and seek direction on how to approach the 3 R's obligations.

3/9: American River Flood Control District Board of Trustees meeting. The Board met in regular session. The agenda items included the draft FY 2016-17 Audit, a Memorandum of Understanding with Sacramento County for the 2018 District Election, final billing for the City Sutter's Landing Trail project, and an OMRR&R Agreement with SAFCA for the North Sacramento Streams project.

3/18: Meeting with Mark Martin. Superintendent Kawamura and I met with Mark Martin from WSP to discuss the SAFCA North Sacramento Streams project. Mark is the project manager for construction of the project. Items discussed included the areas of levee degrade, haul routes, construction scheduling, and District gate salvage.

3/19: SAFCA Agency Staff meeting. I attended this meeting to coordinate on local flood control topics. Items of discussion included the North Sacramento Streams project and video pipe inspections on SAFCA owned levee reaches.

3/21: Central Valley Flood Control Association Board of Directors meeting. I attended this meeting to coordinate on regional flood operations and maintenance topics. Items of discussion included the Association By-Laws, establishment of a legislative flood caucus, a potential statewide flood control assessment, the water bond, and an LMA proposed definition of OMRR&R.

3/21: CVFCA Annual Flood Forum. Office Manager Chapman, Superintendent Kawamura, and I attended this forum to hear discussions on flood hazard readiness and recovery.

3/28: CA Central Valley Flood Protection Board Coordination Committee meeting. I was invited to present a briefing to the Committee on ARFCD's current status in PL84-99 and our ongoing challenges to maintain our eligibility. The presentation described our main challenges as levee pipe inspections, rodent abatement, encroachments, access, and homeless camp damage. Questions from the group consisted of wanting to know our current budget and cost per mile/acre to perform routine O&M, our current reserve fund picture, and how we coordinate with other agencies to address homeless camp damage.