

**GLENN-COLUSA IRRIGATION DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

September 30, 2017 and 2016

GLENN-COLUSA IRRIGATION DISTRICT

AUDITED FINANCIAL STATEMENTS

September 30, 2017 and 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Glenn-Colusa Irrigation District  
Willows, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Glenn-Colusa Irrigation District (the District), which comprise the statements of net position as of September 30, 2017 and 2016, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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.

To the Board of Directors  
Glenn-Colusa Irrigation District

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2017 and 2016 and the results of its operations and cash flows for the years then ended in conformity 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*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the Schedule of Funding Progress for Other Post-Employment Benefits on pages 4 through 13 and page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information consisting of the statement of pension plan net assets, the pension plan income and expenses, the fair value of the pension plan invested assets, and the pension plan contributions and plan participation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The pension plan information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 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, 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

To the Board of Directors  
Glenn-Colusa Irrigation District

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

January 25, 2018

# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

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### Overview

The following management discussion and analysis of the Glenn-Colusa Irrigation District (GCID or District) provides an overview of the financial activities and transactions for fiscal years 2017 and 2016 in the context of the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

### Financial Reporting

The District's accounting records are maintained in accordance with Generally Accepted Accounting Principles as prescribed by GASB, which for the District is the accrual basis of accounting.

### Description of Basic Financial Statements

Glenn-Colusa Irrigation District operates as a utility enterprise. The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. The statements of net position include all of GCID's assets, deferred outflows and liabilities, with the difference reported as net position. The statements of revenues, expenses and changes in net position report all of GCID's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, annexation fees, grant funding, cash used for construction projects, as well as cash received and paid out pursuant to various third party water sales.

- **Statements of Net Position**

The statements of net position provide information about assets, liabilities, and net position of the District at a specific point in time. Assets are economic resources the District owns that have value and can either be sold or used by the District to produce products or services that can be sold. Assets include pumping plants, fish screens, vehicles, equipment, inventory, cash and investments, and customer accounts receivable.

Liabilities are amounts of money that the District owes to others. This includes money owed to suppliers for materials, payments due to landowners participating in water transfers, deposits from other agencies and amounts due to the District's pension plan.

Net Position is the amount of money that would be left if the District sold all of its assets and paid off all of its liabilities.

- **Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position is more commonly known as the Income Statement. This statement provides information regarding the District's operations including income earned and expenses incurred over a one year period. The bottom line of the statement shows the District's end of year net position.

# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

### • Statement of Cash Flows

The Statement of Cash Flows reports the District's inflows and outflows of cash. This report provides management with information regarding cash on hand and the ability to pay expenses and purchase assets.

A cash flow statement reflects changes over time rather than absolute dollar amounts at a particular point in time. The bottom line of the cash flow statement shows the net increase or decrease in cash for the period. Cash flow statements are divided into four activities: (1) operating activities; (2) noncapital financing activities; (3) capital financing activities; and (4) investing activities.

1. Operating Activities – analyzes the cash flow from operational activities (operating revenues and expenses). This section of the cash flow statement reconciles the operating revenues to the actual cash GCID received from or used in its operating activities.
2. Noncapital Financing Activities – reflects the cash flows from non-operating activities such as third party water sales, annexations, and grant activity.
3. Capital Financing Activities – shows the cash flows from all financing activities. Typical cash flows from financing activities include funds received from borrowing, debt service payments, and the purchase and/or sale of capital assets.
4. Investing Activities – reflects the cash flow from all investment activities including investment income and purchases or sales of investment securities.

### CONDENSED STATEMENT OF NET POSITION

	September 30,		
	2017	2016	2015
<b>Assets and Deferred Outflows:</b>			
Current Assets	\$ 22,581,719	\$ 23,314,330	\$ 51,676,169
Capital Assets Net of Depreciation	\$ 53,204,607	\$ 55,718,080	\$ 58,293,155
Deferred Outflows of Resources	\$ 6,275,298	\$ 6,506,493	\$ 6,737,689
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 82,061,624</b>	<b>\$ 85,538,903</b>	<b>\$ 116,707,013</b>
<b>Liabilities and Net Position:</b>			
Current Liabilities	\$ 1,638,064	\$ 1,916,562	\$ 23,527,742
Long-Term Liabilities	\$ 2,849,561	\$ 2,337,194	\$ 1,767,518
Net Position - Investment in Capital Assets	\$ 53,204,607	\$ 55,718,080	\$ 58,293,155
Net Position - Unrestricted	\$ 24,369,392	\$ 25,567,067	\$ 33,118,598
<b>Total Net Position</b>	<b>\$ 77,573,999</b>	<b>\$ 81,285,147</b>	<b>\$ 91,411,753</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 82,061,624</b>	<b>\$ 85,538,903</b>	<b>\$ 116,707,013</b>

Note: Reclassifications were made to certain 2015 amounts to be consistent with the presentation for 2016 and 2017.

# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

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### **Current Assets**

Current assets include cash and equivalents, accounts receivable, grants receivable, interest receivable, inventory and prepaid expenses.

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, current assets totaled \$22.6 million which was \$700 thousand lower than the prior year. The decrease was primarily due to an \$869 thousand dollar reduction in cash and cash equivalents. Accounts receivable increased \$61 thousand at September 30, 2017 as compared to the same date in 2016.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, current assets totaled \$23.3 million which was \$28.4 million lower than the prior year. The decrease was the net result of a \$10 million decrease in cash and an \$18.4 million decrease in accounts receivable. These differences were the result of 2015 water transfer transactions (payments to the District from the buyers which reduced receivables, and District payments to transfer participants which reduced cash).

### **Capital Assets Net of Depreciation**

Capital assets net of depreciation include construction in progress; plus property, plant and equipment net of all accumulated depreciation.

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, net capital assets totaled \$53.2 million which was down approximately \$2.5 million from the prior year. During FY 2017, a total of \$45 thousand was added to CIP for the Sites Reservoir Project, \$745 thousand in new capital assets were added, accumulated depreciation increased by a net of \$2.1 million, and \$1.2 million in assets were disposed of.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, net capital assets totaled \$55.7 million which was down approximately \$2.5 million from the prior year. During FY 2016, a total of \$627 thousand was added to CIP for the District's 2016 contribution to the Sites Reservoir Project, \$902 thousand was written off from CIP to expense for a grant funded well project not anticipated to be placed into service, \$980 thousand in new assets were capitalized, \$508 thousand in assets were disposed of and accumulated depreciation increased by \$3.2 million, as a result of an additional year of depreciation taken.

### **Deferred Outflows of Resources**

Deferred outflows of resources are related to the \$9.2 million that GCID paid to the United States Bureau of Reclamation in 2004 to pay off the operations and maintenance deficit that had accrued during the term of the previous Settlement contract. The total is being amortized using the straight-line method over the life of the new contract (40 years, 2005 through 2045).

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, the unamortized total of deferred outflows was \$6.3 million, a \$200 thousand dollar decrease over the balance from the prior year. This difference represents the amount amortized during FY 2017.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, the unamortized total of deferred outflows was \$6.5 million, a \$200 thousand dollar decrease over the balance from the prior year. This difference represents the amount amortized during FY 2016.

# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

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### **Current Liabilities**

Current liabilities represent District obligations that are due within one year. They include accounts payable, deposits, and the current portion of long-term liabilities.

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, current liabilities totaled \$1.6 million which was down \$300 thousand from the prior year. Most of the difference can be attributed to a \$275 thousand decrease in accounts payable, and a \$22 thousand decrease in payables related to the Regional Planning effort being administered by GCID.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, current liabilities totaled \$1.9 million which was down \$21.6 million from the prior year. Nearly all of the variance was due to amounts that the District owed at September 30, 2015 to 2015 third party water transfer participants which were paid in either December of 2015, or January of 2016.

### **Long-Term Liabilities**

Long-term liabilities include the long-term portion of accrued compensated absences and the other post-employment benefit (OPEB) liability. Compensated absences are accrued benefits such as annual leave that are owed to employees and the OPEB liability relates to the post-employment health insurance promise the District has made to certain employees.

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, the long-term liability total was \$2.8 million, an increase of \$512 thousand from the balance at the end of FY 2016. Accrued compensated absences increased by \$30 thousand, and the balance of the difference is attributable to the \$482 thousand increase in the district's OPEB liability. In FY 2017 the District contributed a total of \$241 thousand toward the annual OPEB cost of \$723 thousand. The unfunded remainder accrued as a long-term liability.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, the long-term liability total for the District was \$2.3 million, an increase of \$570 thousand from the balance at the end of FY 2015. Accrued compensated absences increased by \$60 thousand, however the majority of the increase was the result of the District not funding the full amount of the OPEB Annual Required Contribution (ARC). In FY 2016 the District contributed a total of \$220 thousand toward the annual OPEB cost of \$729 thousand. The remainder accrued as a long-term liability.

### **Net Position – Investment in Capital Assets**

The capital asset portion of the net position represents the historical cost of the District's property, plant, and equipment, net of depreciation; plus construction in progress; less any outstanding debt related to the capital assets.

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, investment in capital assets totaled \$53.2 million, a decrease of \$2.5 million over the balance at the end of FY 2016. The majority of the change can be attributed to depreciation taken during the year.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, investment in capital assets totaled \$55.7 million, a decrease of \$2.58 million over the balance at the end of FY 2015. The majority of the change can be attributed to depreciation taken during the year.

# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

### Net Position – Unrestricted

Unrestricted net position is a measure of equity that consists of the excess of non-capital assets minus liabilities.

*Fiscal Year 2017 Compared to 2016.* At September 30, 2017, unrestricted net position was \$24.4 million, a decrease of \$1.2 million over the balance at the end of FY 2016. The decline in net position was due to the District operating at a net loss during 2017.

*Fiscal Year 2016 Compared to 2015.* At September 30, 2016, unrestricted net position was \$25.6 million, a decrease of \$7.6 million over the balance at the end of FY 2015. The decline in net position was due to the District operating at a loss during 2016, primarily due to unexpected higher Central Valley Project water costs from the United States Bureau of Reclamation as the result of the California drought.

### CONDENSED SCHEDULE OF REVENUES, EXPENSES & CHANGES IN NET POSITION

	September 30,		
	2017	2016	2015
<b>Operating Revenues</b>			
Irrigation Charges	\$ 10,268,799	\$ 10,180,281	\$ 10,674,309
Refuge Wheeling Charges	\$ 1,506,649	\$ 1,420,802	\$ 1,463,830
Standby Charges	\$ 921,115	\$ 917,829	\$ 917,315
Total Operating Revenues	\$ 12,696,563	\$ 12,518,912	\$ 13,055,454
Nonoperating Revenues - Third Party Water Sales	\$ 1,213,908	\$ 961,257	\$ 41,635,757
Other Nonoperating Revenues	\$ 1,389,793	\$ 2,048,879	\$ 1,194,089
<b>Total Revenues</b>	<b>\$ 15,300,264</b>	<b>\$ 15,529,048</b>	<b>\$ 55,885,300</b>
<b>Operating Expenses</b>			
Source of Supply	\$ 4,290,570	\$ 10,362,619	\$ 5,784,263
Pumping Plant	\$ 914,678	\$ 956,798	\$ 800,616
Transmission & Distribution	\$ 4,211,361	\$ 5,067,509	\$ 4,029,869
Administration & General	\$ 6,259,553	\$ 5,993,721	\$ 6,098,211
Depreciation	\$ 3,297,386	\$ 3,243,255	\$ 3,230,158
Total Operating Expenses	\$ 18,973,548	\$ 25,623,902	\$ 19,943,117
Nonoperating Expenses - Third Party Water Sales	\$ 8,954	\$ 6,380	\$ 32,582,059
Nonoperating Expenses - Other	\$ 28,910	\$ 25,372	\$ 53,277
<b>Total Expenses</b>	<b>\$ 19,011,412</b>	<b>\$ 25,655,654</b>	<b>\$ 52,578,453</b>
<b>Change in Net Position</b>	<b>\$ (3,711,148)</b>	<b>\$ (10,126,606)</b>	<b>\$ 3,306,847</b>
Net Position, Beginning of Year	\$ 81,285,147	\$ 91,411,753	\$ 88,104,906
Net Position, End of Year	<b>\$ 77,573,999</b>	<b>\$ 81,285,147</b>	<b>\$ 91,411,753</b>

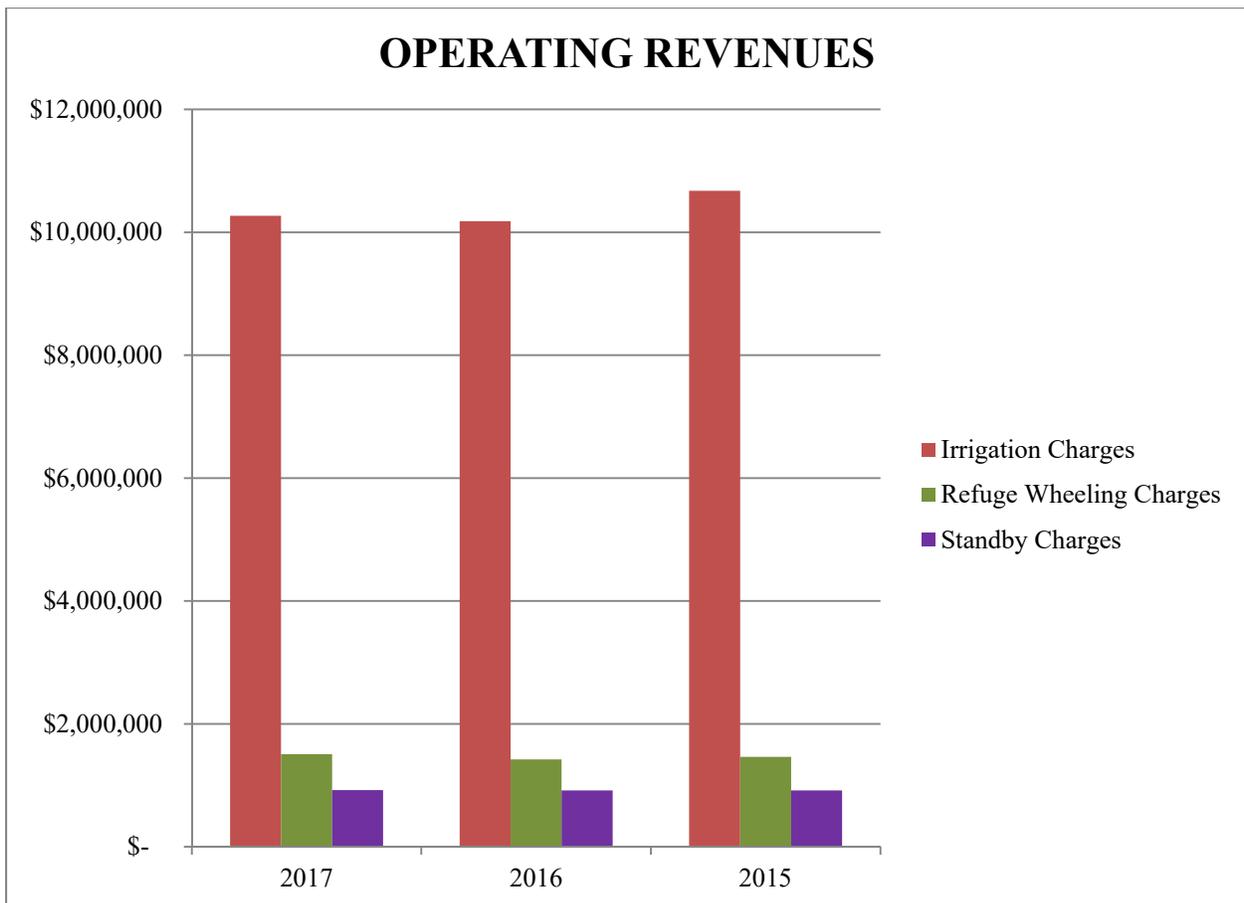
# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

### Operating Revenues

Glenn-Colusa Irrigation District's principal source of revenue is from water sales, which typically account for approximately 81 percent of operating revenues. GCID's primary sources of water are pre-1914 senior water rights and Central Valley Project water diverted from the Sacramento River under the District's Settlement Contract with the United States Bureau of Reclamation. Operating revenues also include a land based standby charge as well as revenue the District receives from the Federal Government to deliver their water supply to three Federal Wildlife Refuges within the District boundary.



*Fiscal Year 2017 Compared to 2016.* Fiscal year 2017 operating revenues were \$12.7 million, an increase of approximately \$200 thousand over the 2016 fiscal year. 2017 Irrigation revenues and refuge wheeling charges both increased by approximately \$85 thousand over the previous year. While the District imposed a 2% water rate increase in 2017, the additional revenue from that rate increase was mitigated somewhat by less acreage being planted.

*Fiscal Year 2016 Compared to 2015.* Fiscal year 2016 operating revenues were \$12.5 million, or \$500 thousand less than the prior year primarily due to the water rates being higher in 2015 because it was a drought year.

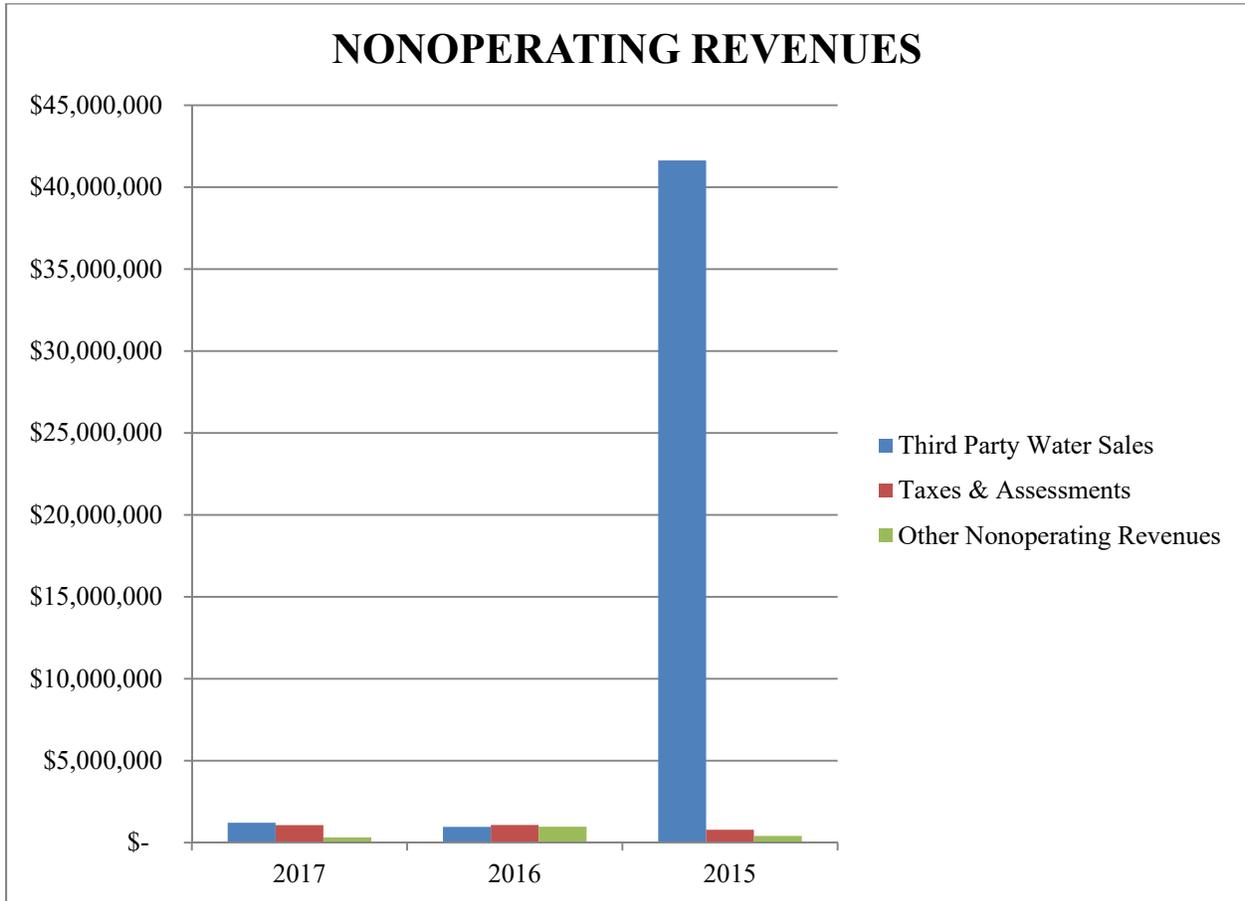
# GLENN-COLUSA IRRIGATION DISTRICT

Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

## Non-operating Revenues

The primary source of non-operating revenue for GCID is taxes and assessments and third party water sales.



*Fiscal Year 2017 Compared to 2016.* Non-operating revenues for fiscal year 2017 were \$2.6 million, a decline of \$400 thousand as compared to 2016. The 2016 total included one-time annexation revenue in the amount of \$550 thousand, which was absent in 2017.

*Fiscal Year 2016 Compared to 2015.* Non-operating revenues for fiscal year 2016 were \$3 million, a decline of \$39.8 million as compared to 2015. The difference was primarily due to the large third party water transfer in 2015 which was absent in 2016.

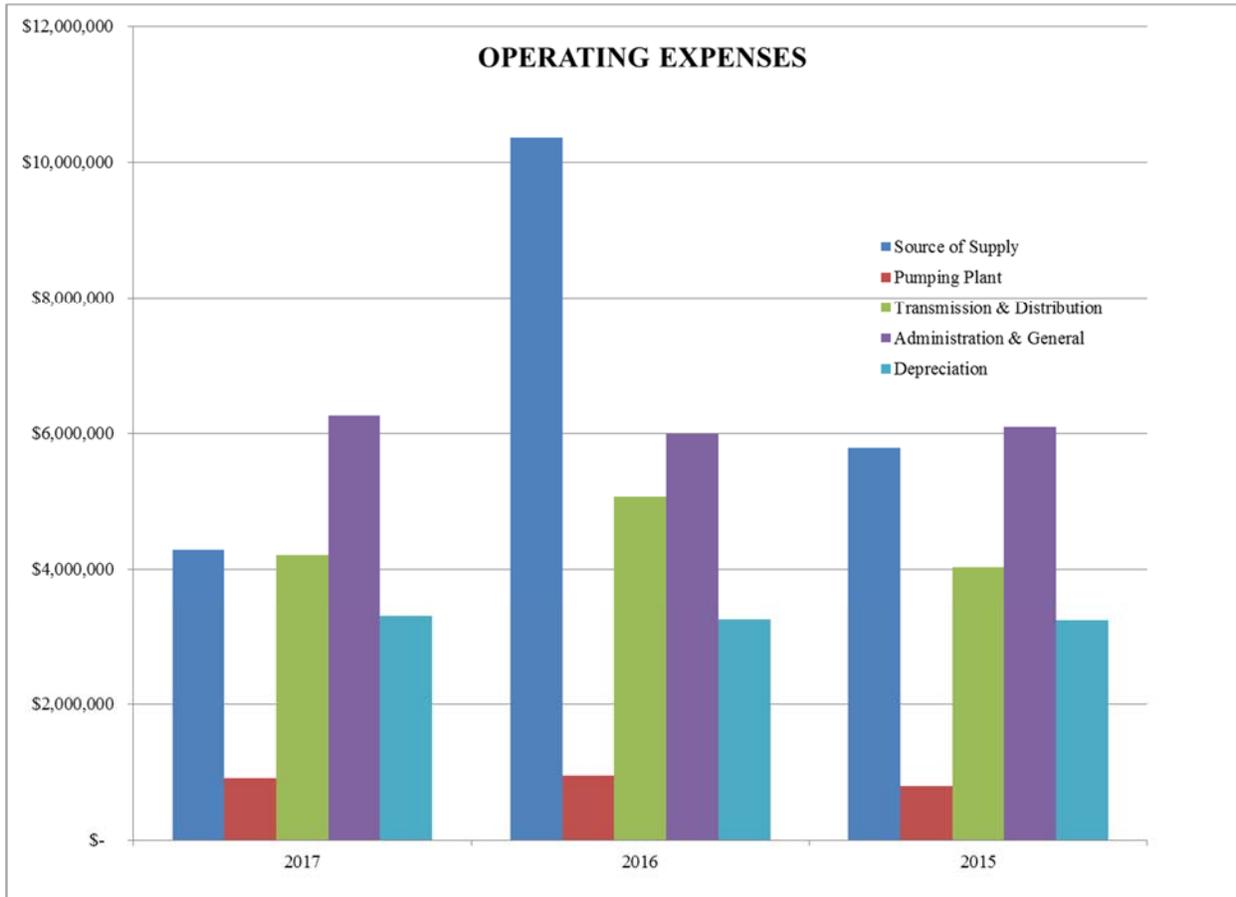
# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

### Operating Expenses

Operating expenses fall into five primary cost centers: source of supply, pumping plant, transmission and distribution, administration and general, and depreciation.



*Fiscal Year 2017 Compared to 2016.* Total operating expenses were \$19 million in 2017 as compared to \$25.6 million in 2016, a difference of \$6.6 million. The reduction in costs was due to the fact that the 2016 costs included an additional \$5.5 million in Project water costs due to the drought, as well as the 2016 write off of an uncompleted construction in progress job in the amount of \$900 thousand. In 2017, operating costs were back to a normal level after being skewed higher by the costs of the drought in both 2015 and 2016.

*Fiscal Year 2016 Compared to 2015.* Total operating expenses were \$25.6 million in 2016, as compared to \$19.9 million in 2015, a difference of \$5.7 million. Project water costs were \$5.1 million higher in 2016 due to the California drought, and transmission and distribution costs were \$1 million higher in 2016, due primarily to the write-off of a construction in progress job that was not completed or placed into service.

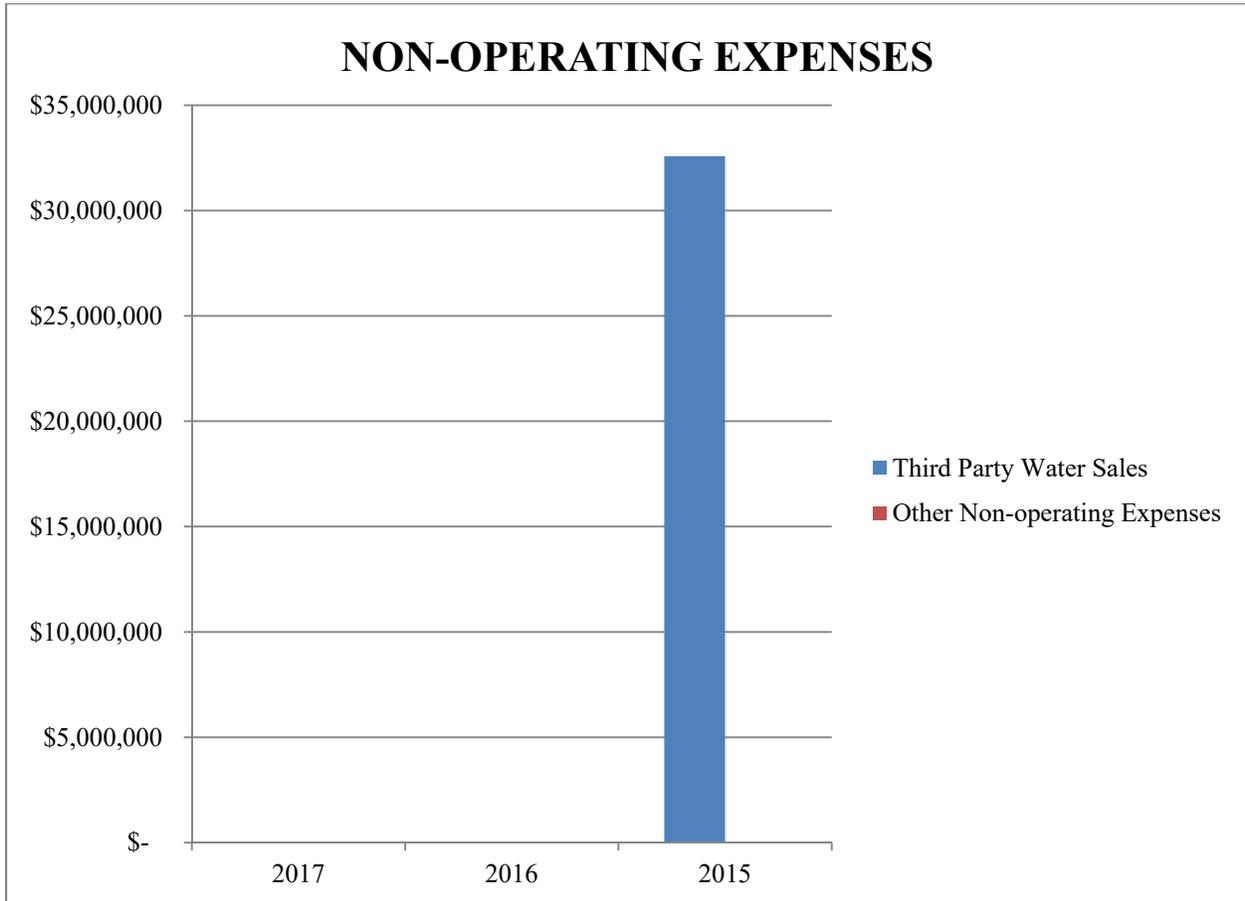
# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

### Non-operating Expenses

Non-operating expenses include interest expenses, third party water transfer expenses, cost of sales to landowners and employees and grant expenses.



*Fiscal Year 2017 Compared to 2016.* Non-operating expenses in 2017 totaled \$38 thousand compared to \$32 thousand in 2016. While these levels of non-operating expenses are normal, they are so small that they don't register on the chart above due to the large scale vertical axis necessary to accommodate the non-operating expenses related to the 2015 third party water transfer.

*Fiscal Year 2016 Compared to 2015.* Non-operating expenses in 2016 totaled \$32 thousand as compared to \$32.6 million in 2015. Third party water transfers made up the entire difference. In 2015, a total of \$32.5 million was accrued as an expense for payments due to landowners participating in land idling and groundwater substitution third party water transfers.

# GLENN-COLUSA IRRIGATION DISTRICT

## Management's Discussion and Analysis

Years ended September 30, 2017 and 2016

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### **Net Position**

Net position is a measure of equity that is comprised of the difference between total assets and total liabilities.

*Fiscal Year 2017 Compared to 2016.* The net loss for FY 2017 was \$3.7 million, and as a result, net position declined by that amount from \$81.3 million at the end of FY 2016 to \$77.6 million as of September 30, 2017.

*Fiscal Year 2016 Compared to 2015.* The net loss for FY 2016 was \$10.1 million and as a result, net position declined by that amount from \$91.4 million at the end of FY 2015 to \$81.3 million as of September 30, 2016.

### **Currently Known Facts**

Issues that are currently known that could have an impact on the financial position of the District include water rates, water supply outlook, and ongoing litigation with regard to the District's Settlement Contract.

### **Water Rates**

The District has recently filed a notice as required by Proposition 218 that it intends to increase water rates by no more than a total of 10% over the next two water years (2018 and 2019). The District's water rates remain comparable to those of other Sacramento River Settlement Contractor Districts.

### **Water Supply Outlook**

Current projections of inflow to Shasta Lake for the water year that began October 1, 2017, indicate that the District can reasonably expect to receive a 100% supply for 2018 under the terms of its contract with the United States Bureau of Reclamation.

### **GCID's Sacramento River Settlement Contract**

The District executed a renewal of its Sacramento River Settlement Contract in January 2005 and is now operating under the terms of the new contract. The term of the District's renewal contract is 40 years. Various environmental groups have directly and indirectly challenged the Sacramento River Settlement Contracts by filing suit against the Federal Government's environmental review, which was an integral part of the renewal process. The District will continue to operate under the terms and conditions of the renewal contract while the legal issues are resolved. At this time, it is unknown what impact, if any, these legal challenges may ultimately have on the District's renewal contract.

### **Financial Contact**

This financial report is intended to provide the District's customers, creditors, investors and other interested parties an overview of the District's financial operations and financial condition. Should the reader have questions regarding information included in this report, or wish to request additional financial information, please contact the Glenn-Colusa Irrigation District Finance Director at P.O. Box 150, Willows, California 95988.

## GLENN-COLUSA IRRIGATION DISTRICT

## STATEMENTS OF NET POSITION

September 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 20,131,461	\$ 21,000,626
Accounts receivable	1,486,013	1,425,554
Assessments receivable	200,621	163,128
State grants receivable	257,217	257,217
Interest receivable	55,540	37,873
Inventory	210,369	225,077
Prepaid expenses	240,498	204,855
TOTAL CURRENT ASSETS	<u>22,581,719</u>	<u>23,314,330</u>
CAPITAL ASSETS		
Not being depreciated	2,347,262	2,302,262
Being depreciated	50,857,345	53,415,818
TOTAL CAPITAL ASSETS, NET	<u>53,204,607</u>	<u>55,718,080</u>
TOTAL ASSETS	75,786,326	79,032,410
DEFERRED OUTFLOW OF RESOURCES		
CVP O&M deficit - contract renewal, net	6,275,298	6,506,493
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,275,298</u>	<u>6,506,493</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	919,912	1,194,160
Regional Plan participants payable	69,786	92,507
Accrued payroll and benefits payable	173,941	170,373
Due to pension plan	28,969	27,217
Deposits	121,926	123,380
Current portion of accrued compensated absences	323,530	308,925
TOTAL CURRENT LIABILITIES	<u>1,638,064</u>	<u>1,916,562</u>
LONG-TERM LIABILITIES		
Accrued compensated absences	263,075	233,049
Other-post employment benefits obligation	2,586,486	2,104,145
TOTAL LONG-TERM LIABILITIES	<u>2,849,561</u>	<u>2,337,194</u>
TOTAL LIABILITIES	4,487,625	4,253,756
NET POSITION		
Net investment in capital assets	53,204,607	55,718,080
Unrestricted	24,369,392	25,567,067
TOTAL NET POSITION	<u>\$ 77,573,999</u>	<u>\$ 81,285,147</u>

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

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

For the years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Irrigation charges	\$ 10,268,799	\$ 10,180,281
Refuge wheeling charges	1,506,649	1,420,802
Standby charges	921,115	917,829
TOTAL OPERATING REVENUES	<u>12,696,563</u>	<u>12,518,912</u>
OPERATING EXPENSES		
Source of supply	4,290,570	10,362,619
Pumping plant	914,678	956,798
Transmission and distribution	4,211,361	5,067,509
Administration and general	6,259,553	5,993,721
Depreciation	3,297,386	3,243,255
TOTAL OPERATING EXPENSES	<u>18,973,548</u>	<u>25,623,902</u>
NET LOSS FROM OPERATIONS	(6,276,985)	(13,104,990)
NON-OPERATING REVENUE (EXPENSES)		
Taxes and assessments	1,069,144	1,076,000
Annexation fees		550,430
Investment income	157,810	139,730
Other non-operating revenue	114,629	230,450
Third party water sales	1,153,783	903,323
In-basin water transfers	60,125	57,934
Gain on sales of capital assets	48,210	52,269
Interest expense	(80)	(663)
Other non-operating expense	(37,784)	(31,089)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,565,837</u>	<u>2,978,384</u>
CHANGE IN NET POSITION	(3,711,148)	(10,126,606)
Net position, beginning of year	<u>81,285,147</u>	<u>91,411,753</u>
NET POSITION AT END OF YEAR	<u><u>\$ 77,573,999</u></u>	<u><u>\$ 81,285,147</u></u>

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

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 12,846,364	\$ 12,729,469
Cash paid to suppliers for goods and services	(11,889,018)	(17,360,630)
Cash paid to employees for services	(3,553,275)	(6,341,490)
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,595,929)</u>	<u>(10,972,651)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	1,031,651	917,882
Third party water sales received	1,153,783	19,431,402
Third party water purchases paid		(18,818,366)
Other nonoperating (expense) revenue	136,970	257,587
Annexation fees received		550,430
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,322,404</u>	<u>2,338,935</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(789,825)	(1,607,231)
Proceeds from sale of capital assets	54,122	89,363
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(735,703)</u>	<u>(1,517,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	140,063	120,176
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>140,063</u>	<u>120,176</u>
DECREASE IN CASH	(869,165)	(10,031,408)
Cash and cash equivalents at beginning of year	<u>21,000,626</u>	<u>31,032,034</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 20,131,461</u></u>	<u><u>\$ 21,000,626</u></u>

(Continued)

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss from operations	\$ (6,276,985)	\$(13,104,990)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	3,528,581	3,474,451
Construction in progress written off		901,957
Changes in operating assets and liabilities:		
Accounts receivables	(60,459)	(103,198)
Inventory	14,708	39,898
Prepaid expenses	(35,643)	42,661
Accounts payable	(274,248)	(2,951,130)
Regional Plan participants payable	(22,721)	79,166
Accrued payroll and benefits	3,568	7,849
Due to pension plan	1,752	(173)
Deposits	(1,454)	90,210
Other post-employment benefits	482,341	510,049
Compensated absences payable	44,631	40,599
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,595,929)</u>	<u>\$(10,972,651)</u>

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

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Glenn-Colusa Irrigation District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) 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 District follows Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

Reporting Entity: The Glenn-Colusa Irrigation District was organized on March 2, 1920, as a successor to several public and private irrigation projects dating back to 1887. The District is organized and operated under authority of the California Water Code. The District provides water for irrigation purposes to an area of approximately 170,000 gross acres.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that period determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District uses the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants and general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

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

expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments: For the purposes of the Statement of Cash Flows, the District's cash and cash equivalents include cash on hand or on deposit, and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. The District reports utilities, reimbursements, and interest earnings as major receivables. No allowance was deemed necessary at September 30, 2017 and 2016.

Property Taxes: Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The Counties of Glenn and Colusa levy, bill and collect property taxes and special assessments for the District. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Property tax revenues are recognized by the District in the fiscal year they are assessed. Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on January 1. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

Inventories and Prepaid Items: Inventories consist primarily of materials and supplies used in the maintenance and improvement of the District's irrigation system. Inventories are valued using an average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets: Capital assets are valued at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are currently defined by the District as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of one year. Land acquisitions are capitalized regardless of the amount. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is provided over the useful lives of assets using the straight-line method. Estimated useful lives of depreciable assets range from 3 to 50 years.

Compensated Absences: The District policy allows employees to accumulate earned but unused annual leave, which will be paid to employees upon separation from the District's service. The cost of annual leave is recognized in the period earned.

Net Position: The net position amount is the difference between assets and liabilities. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

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

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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)”, replaces 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 September 30, 2018.

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.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE B – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following at September 30:

	2017	2016
Cash on hand	\$ 100	\$ 100
Deposits with financial institutions	170,173	206,646
Total cash	<u>170,273</u>	<u>206,746</u>
Local Agency Investment Fund	19,961,188	20,793,880
Total investments	<u>19,961,188</u>	<u>20,793,880</u>
Total cash and investments	<u>\$ 20,131,461</u>	<u>\$ 21,000,626</u>

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 September 30, 2017, the District’s permissible investments included in 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 Obligations	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 Deposit	5 years	30%	None
Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
LAIF	N/A	None	None

The District complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

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. The District’s investment in LAIF has an average maturity of 190 days as of September 30, 2017.

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 by a nationally recognized statistical rating organization. LAIF is unrated.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested by any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments 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 of custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and 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 be equal to at least 100% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At September 30, 2017, the carrying amount of the District's deposits was \$170,173 and the balances in financial institutions was \$178,533. The total amount of \$178,533 in the financial institutions was covered by federal depository insurance. At September 30, 2016, the carrying amount of the District's deposits was \$206,646 and the balances in financial institutions was \$210,322. The balance of \$210,322 was covered by federal depository insurance.

Investment in LAIF: LAIF is stated at fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$72,454,529,464, managed by the State Treasurer. Of that amount, 3.03% 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 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.

NOTE C – CVP O&M Deficit

As part of the District's 2004 Central Valley Project Sacramento River Settlement Contract renewal with the United States Bureau of Reclamation (Bureau), the District was required to fund its share of the Operations and Maintenance deficit that had accumulated during the term of the previous contract. The District decided to fund this obligation in lump-sum amounts as opposed to making payments over the term of the new contract, with interest charges accumulating on the unpaid balance. During the fiscal year ended September 30, 2004, the District deposited a total of \$9,697,352 with the Bureau for this purpose. During the fiscal year ended September 30, 2005, it was determined that the District had paid \$449,545

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE C – CVP O&M Deficit (Continued)

more than required for the contract renewal. The revised charge of \$9,247,807 is being amortized, using the straight-line method, over the life of the new contract and is reported as a deferred outflow of resources on the Statement of Net Position. The new contract, executed on April 1, 2005, will remain in effect until March 31, 2045.

NOTE D – CAPITAL ASSETS

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

	Balance at October 1, 2016	Additions	Write-offs/ Disposals	Transfers	Balance at September 30, 2017
Capital assets, not being depreciated:					
Land and other land rights	\$ 520,410				\$ 520,410
Construction in progress	1,781,852	\$ 45,000			1,826,852
Total capital assets, not being depreciated	2,302,262	45,000			2,347,262
Capital assets, being depreciated:					
Fish screen and related improvements	45,273,351				45,273,351
Source of supply	2,546,062				2,546,062
Pumping plant	13,234,049	279,597			13,513,646
Transmission and distribution	34,686,971	81,585	\$ (341,103)		34,427,453
General plant	7,400,695		(280,266)		7,120,429
Equipment	6,137,919	383,643	(559,082)		5,962,480
Total capital assets being depreciated	109,279,047	744,825	(1,180,451)		108,843,421
Less: accumulated depreciation:					
Fish screen and related improvements	(12,048,953)	(1,514,937)			(13,563,890)
Source of supply	(2,148,160)	(26,821)			(2,174,981)
Pumping plant	(9,747,306)	(349,388)			(10,096,694)
Transmission and distribution	(20,660,069)	(1,022,671)	341,106		(21,341,634)
General plant	(6,707,416)	(89,040)	280,267		(6,516,189)
Equipment	(4,551,325)	(294,529)	553,166		(4,292,688)
Total accumulated depreciation	(55,863,229)	(3,297,386)	1,174,539		(57,986,076)
Total capital assets being depreciated, net	53,415,818	(2,552,561)	(5,912)		50,857,345
CAPITAL ASSETS, NET	\$ 55,718,080	\$ (2,507,561)	\$ (5,912)	\$ -	\$ 53,204,607

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE D – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance at October 1, 2015	Additions	Deletions	Transfers	Balance at September 30, 2016
Capital assets, not being depreciated:					
Land and other land rights	\$ 520,410				\$ 520,410
Construction in progress	2,128,831	\$ 627,000	\$ (901,958)	\$ (72,021)	1,781,852
Total capital assets, not being depreciated	<u>2,649,241</u>	<u>627,000</u>	<u>(901,958)</u>	<u>(72,021)</u>	<u>2,302,262</u>
Capital assets, being depreciated:					
Fish screen and related improvements	45,238,396	34,955			45,273,351
Source of supply	2,546,062				2,546,062
Pumping plant	13,022,272	211,777			13,234,049
Transmission and distribution	34,588,052	98,919			34,686,971
General plant	7,316,672	83,607	(71,605)	72,021	7,400,695
Equipment	6,024,222	550,973	(437,276)		6,137,919
Total capital assets being depreciated	<u>108,735,676</u>	<u>980,231</u>	<u>(508,881)</u>	<u>72,021</u>	<u>109,279,047</u>
Less: accumulated depreciation:					
Fish screen and related improvements	(10,538,093)	(1,510,860)			(12,048,953)
Source of supply	(2,121,339)	(26,821)			(2,148,160)
Pumping plant	(9,649,389)	(338,387)		240,470	(9,747,306)
Transmission and distribution	(19,409,426)	(1,010,173)		(240,470)	(20,660,069)
General plant	(6,696,768)	(82,253)	71,605		(6,707,416)
Equipment	(4,676,747)	(274,761)	400,183		(4,551,325)
Total accumulated depreciation	<u>(53,091,762)</u>	<u>(3,243,255)</u>	<u>471,788</u>		<u>(55,863,229)</u>
Total capital assets being depreciated, net	<u>55,643,914</u>	<u>(2,263,024)</u>	<u>(37,093)</u>	<u>72,021</u>	<u>53,415,818</u>
CAPITAL ASSETS, NET	<u>\$ 58,293,155</u>	<u>\$ (1,636,024)</u>	<u>\$ (939,051)</u>	<u>\$ -</u>	<u>\$ 55,718,080</u>

Fish Screen and Related Improvements: During the fiscal year ended September 30, 2005, the District capitalized and began depreciating Fish Screen and Related Improvement costs previously included as a component of Construction in Progress. The costs capitalized in 2005 totaled \$20,223,428. During the fiscal year ended September 30, 2012, the District capitalized an additional \$1,332,521 in project costs which were also previously reported as Construction in Progress.

On December 15, 2011, the District’s Board of Directors executed an agreement with the United States Department of Interior, Bureau of Reclamation to transfer title to improvements made to the District’s Fish Screen and Fish Screen Recovery Facility associated with the Hamilton City Pumping Plant. In the agreement, the United States transferred all rights, title, and interest in, and to the Fish Screen and Fish Recovery Facilities. This title transfer included \$24,593,131 in value contributed to the overall project by various governmental agencies (United States Bureau of Reclamation, U.S. Army Corps of Engineers, California Department of Fish & Game, and the California Department of Water Resources). This contributed capital is comprised of direct payments to construction contractors, cash contributions, in-kind services of labor and equipment, and the value of various environmental reports and studies.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE D – CAPITAL ASSETS (Continued)

The District has not received ownership title to the Gradient Facility Improvements, which are a significant component of this overall project. The estimated contributed value of these uncanceled costs totals \$28,652,209 at September 30, 2017 and 2016. Costs incurred by the District as of September 30, 2017 and 2016 total \$1,054,852 and are included in construction in progress. Additional information regarding the Gradient Facility improvements is contained in Note J.

NOTE E – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2017:

	October 1, 2016	Additions	Reductions	September 30, 2017	Due Within One Year
Compensated absences	\$ 541,974	\$ 341,326	\$ (296,695)	\$ 586,605	\$ 323,530
Other post-employment benefits	2,104,145	723,359	(241,018)	2,586,486	
Total Long-Term Liabilities	<u>\$ 2,646,119</u>	<u>\$ 1,064,685</u>	<u>\$ (537,713)</u>	<u>\$ 3,173,091</u>	<u>\$ 323,530</u>

The following is a summary of changes in long-term liabilities for the year ended September 30, 2016:

	October 1, 2015	Additions	Reductions	September 30, 2016	Due Within One Year
Compensated absences	\$ 501,375	\$ 327,953	\$ (287,354)	\$ 541,974	\$ 308,925
Other post-employment benefits	1,594,096	729,811	(219,762)	2,104,145	
Total Long-Term Liabilities	<u>\$ 2,095,471</u>	<u>\$ 1,057,764</u>	<u>\$ (507,116)</u>	<u>\$ 2,646,119</u>	<u>\$ 308,925</u>

NOTE F – NET POSITION

Designations: Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. Designations included the following as of September 30:

	2017	2016
Fish Screen/Gradient Facility/Sacramento River		
Capital Improvement and Monitoring Reserve	\$ 2,517,216	\$ 2,517,216
Rate Stabilization Reserve	3,405,307	3,405,307
Capital Replacement and Improvement Reserve	3,000,000	3,000,000
Vehicle and Equipment Replacement Reserve	1,000,000	1,000,000
Power and Water Resource Pooling Authority Power Reserve	750,000	750,000
Depreciation, Amortization, and Operating Reserve	5,696,869	6,894,544
Drought Contingency Reserve	3,000,000	3,000,000
Water Supply Protection and Regional Sustainability Reserve	5,000,000	5,000,000
Total Unrestricted Net Position	<u>\$ 24,369,392</u>	<u>\$ 25,567,067</u>

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE F – NET POSITION (Continued)

The designations are for the following:

Designated for Fish Screen/Gradient Facility/Sacramento River Capital Improvement and Monitoring Reserve represents an account established to fund future capital improvements and monitoring on the Sacramento River in conjunction with the District's diversion works, including, but not limited to, the Fish Screen, Gradient Facility, and River Mile 208 upstream of the diversion works.

Designated for Rate Stabilization Reserve represents an account established to maintain a prudent level of financial resources to protect against the reduction of service levels or raising of charges and fees because of temporary revenue shortfalls or unpredicted onetime expenditures.

Designated for Capital Replacement and Improvement Reserve represents an account established to provide partial funding for the eventual replacement of infrastructure assets.

Designated for Vehicle and Equipment Replacement Reserve represents an account established to earmark funds for the planned replacement of vehicles and heavy equipment.

Designated for Power and Water Resource Pooling Authority (PWRPA) Power Reserve represents an account established to provide funding for unexpected fluctuations in the cost of power.

Designated for Depreciation, Amortization, and Operating Reserve represents an account established to provide working capital sufficient to meet the District's cash flow needs and funding to offset annual depreciation and amortization expenses that are not budgeted and recovered completely through user charges.

Designated for Drought Contingency Reserve represents an account established to provide funding to cover extraordinary costs related to a cutback in the District's water supply in a Shasta Critical Year.

Designated for Water Supply Protection and Regional Sustainability Reserve represents an account established to provide a source of funding for defending the District's Sacramento River Settlement Contract, water transfer monitoring and mitigation, development of groundwater supplies, fishery restoration efforts, and Sites Reservoir development.

NOTE G – PENSION PLANS

The District is the sponsor of a defined contribution retirement plan that covers all eligible full-time employees of the District with at least one year of credited service. The District contributed 9.5% of the participants' annual base salary to the plan in 2017 and 2016. The nature of a defined contribution retirement plan is not to guarantee a specific retirement benefit but to define an annual contribution to the plan for each employee. Total District contributions to the plan during the years ended September 30, 2017 and 2016 were \$342,176 and \$326,094, respectively.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE G – PENSION PLANS (Continued)

Employee (participant) vesting provisions under the plan are as follows:

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

Plan forfeitures can occur when a participant separates from employment with the District before the participant’s account is fully vested. Forfeitures incurred during a plan year are used to reduce the District’s contributions to the plan for the next following plan year. For the years ended September 30, 2017 and 2016, forfeitures used to reduce the District’s plan contributions totaled \$7,825, and \$10,773, respectively.

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan: The District administers a single-employer defined benefit other postemployment healthcare (OPEB) plan providing health plan coverage to eligible retired employees and their eligible dependents. Employees hired by the District prior to March 1, 2005, and Directors whose first term began prior to January 1, 1995, are eligible for the benefits. The District offers retirees the option to obtain coverage under the same medical plans as its active employees if such coverage is offered by the plan. Health insurance benefits are payable for the lifetime of the retiree, subject to the retiree making any required monthly contributions. Employees become eligible to retire and receive healthcare benefits after age 65 unless an earlier retirement is approved by the Board, as provided for by the District’s “Policies and Rules” employee manual. The OPEB Plan does not issue a publicly available financial report.

Funding Policy: The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. Although a Trust has been established into which contributions are and have been made, the District is currently funding the OPEB plan primarily on a pay-as-you-go basis, as the retiree premiums are due. The District’s policy is to make periodic contributions to the trust as financial conditions warrant. During the year ended September 30, 2017 and 2016, the District made health insurance premium payments on behalf of retirees of \$241,018 and \$219,762, respectively. No contributions were made to the trust during the years ended September 30, 2017 or 2016. Plan members did not make any contributions to the Plan.

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the District's net OPEB obligation.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

	2017	2016
Annual required contribution		
Service cost at year-end	\$ 266,963	\$ 266,963
30-year amortization of funded liability	483,011	483,011
Total annual required contribution	749,974	749,974
Interest on net OPEB obligation	126,249	95,646
Adjustment on net OPEB obligation	(152,864)	(115,809)
Annual OPEB cost	723,359	729,811
Contributions made	(241,018)	(219,762)
Net change in OPEB obligation	482,341	510,049
Net OPEB obligation, beginning of year	2,104,145	1,594,096
Net OPEB obligation, end of year	\$ 2,586,486	\$ 2,104,145

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2015	\$ 919,584	\$ 1,218,087	132%	\$ 1,594,096
September 30, 2016	729,811	219,762	30%	2,104,145
September 30, 2017	723,359	241,018	33%	2,586,486

**Funded Status and Funding Progress:** The funded status of the Plan as of October 1, 2015, the Plan’s most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 9,576,535
Actuarial value of Plan assets	2,927,970
Unfunded actuarial accrued liability (UAAL)	6,648,565
Funded ratio (actuarial value of Plan assets/AAL)	30.57%
Covered payroll (active Plan participants)	2,442,978
UAAL as a percentage of covered payroll	272.15%

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts 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, 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.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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 members) 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 members 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.

In the October 1, 2015 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses). The medical trend rate was 8% for 2015/16, graded down to an ultimate of 5% over the next three years. These assumptions reflect an implicit 3% general inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2017, was approximately 25 years.

Additional Information on Employee Benefit Trust: Since the implementation of GASB Statement No. 45, the District has contributed a total of \$2,600,000 (\$750,000 during the fiscal year ended September 30, 2011, \$850,000 during the fiscal year ended September 30, 2013, and \$1,000,000 during the fiscal year ended September 30, 2015) to an employee benefit trust administered by Public Agency Retirement Services. These contribution amounts are included in the cumulative net OPEB calculation reported above. As of September 30, 2017 and 2016, the actual balance held in the trust totaled \$3,528,564 and \$3,140,581, respectively.

NOTE I – PERMANENT INJUNCTION

In 1991, the District was sued in Federal District Court by the National Marine Fisheries Service (NMFS) for alleged violation of the Endangered Species Act. The Court originally granted a permanent injunction, which curtailed the District's pumping from an estimated 3,000 cfs to 1,100 cfs from July 15 through November 30 of each year. The injunction was stayed through a stipulated order entered into in 1992 and revised in 1993 and August 1997. The 1997 revised stipulation effectively increased the District's pumping limitations to approximately 3,000 cfs, depending on Sacramento River flows, provided that a long-term fish screen solution was commenced.

The long-term fish screen solution consists of two elements of the District's Hamilton City Pumping Plant Fish Screen Improvement Project (Project). The District and the California Department of Fish and Game (DFG) partnered with the United States Bureau of Reclamation (USBR) for the construction of the first element of the Project, the fish screen extension. The federal sponsor for the second element of the Project, the gradient restoration facility, is the United States Army Corps of Engineers (COE). The United States Fish and Wildlife Service (USFWS), NMFS, and DFG were involved in the planning and design of the Project. Construction of the Fish Screen extension and gradient facility was completed early in 2001, and the Project was dedicated at a June 4, 2002, ceremony. Some additional work by the COE may be required on the gradient facility (See Note J). However, for purposes of the Stipulated Order, to date, all terms have been met.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE J – POTENTIAL CLAIM OR LITIGATION – GRADIENT FACILITY

The District has an ongoing dispute with the Department of the Army Corps of Engineers (COE) regarding the completion and performance of the Glenn-Colusa Irrigation District Riverbed Gradient Facility Project (GF). The Project Cooperation Agreement (PCA) between the COE and the District addresses the parties' rights and obligations regarding the GF.

In accordance with Article II of the PCA, upon receiving funds provided by the Non-Federal Sponsor, the COE agreed to construct the GF. The design and construction of the GF was exclusively under the control of the COE as required by Article II.A.1. of the PCA. Final design of the GF carried with it an implied warranty that the design was free of major defects. By the COE's own admission, the design of the GF contained serious defects that have resulted in significant erosion and scour thereby jeopardizing the future stability of the GF. As such, the District alleges that the COE is responsible for the additional work caused by the defects in the design. The District also alleges that any effort by the COE to shift the obligation of correcting the erosion and scour to the District is a breach of COE's duty under the PCA.

In addition, on December 13, 2012, the District provided the COE with extensive comments regarding the draft Operations, Maintenance, Repair, Replacement and Rehabilitation Manual prepared by the COE. The interim manual that was included with the COE's March 22, 2013, Notice of Construction Completion failed to address any of the comments made by the District. The District has yet to receive a final Operations, Maintenance, Repair, Replacement and Rehabilitation Manual. Accordingly, the ongoing dispute also encompasses outstanding differences between the COE and the District regarding the future operation and maintenance of the GF.

In December 2015, the District filed a Complaint against the United States for breach of contract in the U.S. Court of Federal Claims (Case No. 15-1572C). The District's Complaint alleged that the COE defectively designed and constructed the GF, and in doing so breached an express contract (the PCA), the implied covenant of good faith and fair dealing, and the implied warranty of construction. The United States filed a motion to dismiss the Complaint on the alleged basis that the district court has exclusive jurisdiction. On December 22, 2016, the court granted the motion to dismiss on those grounds, and dismissed the case without prejudice. In January 2017, the District filed a Complaint against the COE (Case No. 2:17-at-0057) in the United States District Court for the Eastern District of California. The District Court Complaint alleges breach of contract causes of action against the COE and seeks money damages in addition to declaratory and injunctive relief. The United States filed a motion to dismiss the Complaint, but it was denied by the Court. The litigation is currently in the discovery phase. At this point in time, it is unknown what remedial efforts may be necessary to correct the GF's design and performance deficiencies, but it is expected that the costs of those efforts could exceed \$25 million. The District's litigation against the COE is designed to require the COE to bear those costs.

NOTE K – SIGNIFICANT CALIFORNIA LEGISLATION – WATER METERING

Senate Bill X7-7 was enacted by the California legislature in November 2009, requiring all water suppliers to increase water use efficiency. The law requires that agricultural water suppliers, in exceedance of 10,000 irrigable acres, prepare and adopt agricultural water management plans by December 31, 2012, and update those plans by December 31, 2015, and every five years thereafter.

The law further required that on or before July 31, 2012, agricultural water suppliers shall (1) measure the volume of water delivered to customers and (2) adopt a pricing structure for water customers based at least in part on quantity delivered and (3) implement additional efficient management practices. Agencies found to be out of compliance with the legislative requirements are not eligible for state water grants or loans.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE K – SIGNIFICANT CALIFORNIA LEGISLATION – WATER METERING (Continued)

The District adopted its water management plan on February 14, 2013, and since then has been gradually installing Senate Bill X7-7 compliant measurement devices at District sites as a pilot project under Phase I of the Agricultural Water Management Plan (AWMP). This effort yields critical capital cost and performance information, which will be utilized to prepare a District-wide implementation plan and an associated detailed budget in Phase 2 of the AWMP. Metering flows in the District's delivery system is difficult due to its earthen open channel configuration, which features a variety of irrigation water conveyance infrastructure, varied flow regimes over the course of an irrigation season, as well as weedy and silty hydraulic conditions. The District plans to continue to search for a cost-effective measurement solution that will satisfy the requirements of Senate Bill X7-7. On September 22, 2016, the District received long-anticipated written approval from the U.S. Bureau of Reclamation for the 2012 Sacramento Valley Regional Water Management Plan (SVRWMP). The Glenn-Colusa Irrigation District Board of Directors subsequently adopted the latest AWMP on December 1, 2016, which is comprised of the 2012 SVRWMP, District water balances for 2013-2015, and a Drought Management Plan. This AWMP was then submitted to the California Department of Water Resources (DWR) for approval on December 16, 2016.

NOTE L – SITES PROJECT JOINT POWERS AUTHORITY

The District is a member of the Sites Project Joint Powers Authority (the Authority) which was established in August 2010. Currently, the Authority consists of a total of ten (10) Authority member agencies. The Authority was created with the purpose to effectively study, promote, develop, design, finance, acquire, construct, manage, and operate the proposed Sites Reservoir and related facilities. The purposes of pursuing and developing Sites Reservoir are to: (a) increase surface water storage and enhance water management flexibility in the Sacramento Valley, (b) provide flood control benefits, (c) improve conditions for fish and wildlife in the Sacramento Valley, and (d) improve the operation of the State of California's water system.

To further the objectives of the Authority, each participating agency is required to provide financial contributions to the Authority. During the fiscal year ended September 30, 2017 and 2016, the District contributed \$60,000 and \$627,000, respectively, to the Authority. A total of \$802,000 has been contributed as of September 30, 2017. In addition, the District has committed to provide additional funding totaling \$317,000 through January 2018. These contributions are reflected as part of construction in progress as the District is expecting to receive 20,000 acre-feet of capacity in the Sites Reservoir.

Additional information relating to the Authority can be obtained at the following mailing address: Sites Project JPA, P.O. Box 517, Maxwell, CA 95955.

NOTE M – RISK MANAGEMENT

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials liability, 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.

GLENN-COLUSA IRRIGATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE M – RISK MANAGEMENT (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 and auto liability)	\$ 5,000,000	\$ 60,000,000	None
Property Damage	100,000	150,000,000	\$ 500 to 50,000
Fidelity	100,000		1,000
Workers' Compensation Liability	2,000,000	Statutory	None
Employers Liability	2,000,000	2,000,000	None

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N – COMMITMENTS AND CONTINGENCIES

The District has participated in federal and state assisted grant and cooperative agreement programs. These programs are subject to program compliance audits by the grantors. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

There are several pending claims which have been assessed against the District. The District estimates that the potential claims, not covered by insurance, resulting from such litigation will not materially affect the financial position of the District.

In the District’s water rights settlement contract with the USBR, the District is required to take delivery or otherwise pay for 78,750 acre-feet of water from the Central Valley Project at the annual rates determined by the USBR, through March 31, 2045. The rate for 2017 was approximately \$32.19 for a total cost of \$2,534,963.

**REQUIRED SUPPLEMENTARY INFORMATION**

GLENN-COLUSA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR CalPERS  
OTHER POST EMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2009	\$ 7,928,362	\$ -	\$ 7,928,362	0%	\$ 3,105,861	255.27%
October 1, 2012	9,407,106	815,797	8,591,309	8.67%	3,706,646	231.78%
October 1, 2015	9,576,535	2,927,970	6,648,565	30.57%	2,442,978	272.15%

**SUPPLEMENTARY INFORMATION**

GLENN-COLUSA IRRIGATION DISTRICT

SUPPLEMENTARY INFORMATION

September 30, 2017 and 2016

Schedule of Pension Plan Net Assets  
As of September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 352,431	\$ 457,269
Receivables:		
Contributions	28,969	27,217
Investments	7,178	6,633
Investments at fair value	7,678,854	6,758,458
TOTAL ASSETS	<u>8,067,432</u>	<u>7,249,577</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 8,067,432</u>	<u>\$ 7,249,577</u>

Summary of Pension Plan Income and Expenses  
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Employer contributions	\$ 334,351	\$ 315,321
Pension benefit forfeitures	7,825	10,773
Investment earnings:		
Interest	172,295	160,599
Dividends	304,394	156,168
Net increase (decrease) in the fair value of investments	572,238	374,914
TOTAL REVENUES	<u>1,391,103</u>	<u>1,017,775</u>
EXPENSES		
Pension benefits paid	472,177	220,458
Administrative expenses	96,084	85,899
Foreign tax expense	4,987	4,221
TOTAL EXPENSES	<u>573,248</u>	<u>310,578</u>
NET INCOME (LOSS)	<u>\$ 817,855</u>	<u>\$ 707,197</u>

GLENN-COLUSA IRRIGATION DISTRICT

SUPPLEMENTARY INFORMATION (Continued)

September 30, 2017 and 2016

Fair Value of the Pension Plan Invested Assets  
As of September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Common stock	\$ 4,424,660	\$ 3,831,022
Exchange traded and closed-end funds	1,036,710	943,020
Mutual funds	1,040,847	931,890
Corporate bonds	463,662	393,440
Government securities	712,975	659,086
TOTAL	<u>\$ 7,678,854</u>	<u>\$ 6,758,458</u>

Contribution and Participant Information  
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Total District Payroll	<u>\$ 4,085,813</u>	<u>\$ 3,909,404</u>
Covered Payroll	<u>\$ 3,637,366</u>	<u>\$ 3,545,980</u>
District Contribution - 9.5%	<u>\$ 334,351</u>	<u>\$ 315,321</u>
Participants:		
Active	63	61
Retiree		1

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

To the Board of Directors  
Glenn-Colusa Irrigation District  
Willows, 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 Glenn-Colusa Irrigation District (the District) as of and for the year ended September 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 January 25, 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 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 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 Directors  
Glenn-Colusa Irrigation 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.

*Richardson & Company, LLP*

January 25, 2018