

RECLAMATION DISTRICT 900, CALIFORNIA
A Blended Component Unit of the City of West Sacramento

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Years Ended June 30, 2022 and 2021

RECLAMATION DISTRICT 900, CALIFORNIA
P.O. Box 673
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BOARD OF TRUSTEES
Elected Officials

Martha Guerrero
Chris Ledesma
Quirina Orozco
Norma Alcala
Dawnte West

President
Trustee
Trustee
Trustee
Trustee

DISTRICT MANAGEMENT

Blake Johnson, District Manager and Secretary

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Reclamation District 900, California
West Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund as applicable, and the aggregate remaining fund information of Reclamation District No. 900, California, (the District) as of June 30, 2022 and 2021, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Reclamation District No. 900, California as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed for special districts by the Office of the California State Controller.

Basis for Opinions

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 Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures, include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and all schedules presented in the Required Supplementary Information (as shown in the table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
WALNUT CREEK, CALIFORNIA
January 12, 2023

BASIC FINANCIAL STATEMENTS

RECLAMATION DISTRICT 900, CALIFORNIA
 Statements of Net Position
 June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS:		
Cash	\$ 513,913	\$ 122,994
Pooled cash and investments in County Treasury, at fair value	9,023,388	8,657,754
Receivables:		
Assessments, net of allowance for doubtful accounts	13,640	22,022
Operations and maintenance charges	429,434	107,544
Due from RD 537, net	-	77,647
Government cost reimbursement grants	74,509	66,576
Insurance claim	139,075	-
Prepaid expenses	82,873	95,601
Net OPEB asset	-	7,124
Fixed assets, net of accumulated depreciation	15,022,293	14,900,343
 TOTAL ASSETS	 25,299,125	 24,057,605
 DEFERRED OUTFLOWS OF RESOURCES - OPEB	 80,153	 32,504
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 25,379,278	 \$ 24,090,109
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 58,361	\$ 156,677
Payroll related accruals	34,837	25,789
Deferred revenue	1,077	664
Net OPEB obligation	17,926	-
Total liabilities	112,201	183,130
 DEFERRED INFLOWS OF RESOURCES - OPEB	 99,389	 80,557
NET POSITION:		
Invested in capital assets, net of \$-0- related debt	15,022,293	14,900,343
Unrestricted	10,145,395	8,926,079
Total net position	25,167,688	23,826,422
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	 \$ 25,379,278	 \$ 24,090,109

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA
 Statements of Activities
 Years Ended June 30, 2022 and 2021

	2022				2021			
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Contributions and Grants	Governmental Activities		Charges for Services	Capital Contributions and Grants	Governmental Activities
GOVERNMENTAL ACTIVITIES:								
Flood Protection	\$ 2,154,911	\$ 817,295	\$ 213,033	\$ (1,124,583)	\$ 2,042,761	\$ 795,142	\$ 66,576	\$ (1,181,043)
GENERAL REVENUES:								
Assessments				2,529,108				2,475,557
Interest				64,862				79,232
Unrealized gains on investments				(285,436)				(44,118)
Gain on sale of equipment				151,006				-
Reimbursements and refunds				<u>6,309</u>				<u>9,667</u>
Total general revenues				<u>2,465,849</u>				<u>2,520,338</u>
CHANGE IN NET POSITION				1,341,266				1,339,295
NET POSITION, BEGINNING OF YEAR BEFORE MERGER				23,826,422				21,428,830
Merger with annexed portion of Reclamation District No. 537				<u>-</u>				<u>1,058,297</u>
NET POSITION, END OF YEAR				<u>\$ 25,167,688</u>				<u>\$ 23,826,422</u>

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA

Balance Sheets - Governmental Fund

June 30, 2022 and 2021

	<u>Governmental Fund</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 513,913	\$ 122,994
Pooled cash and investments in County Treasury	9,023,388	8,657,754
Receivables:		
Assessments, net	13,640	22,022
Operations and maintenance charges	429,434	107,544
Government cost reimbursement grants	-	66,576
Insurance claim	139,075	-
Prepaid expenses	<u>82,873</u>	<u>95,601</u>
TOTAL ASSETS	<u>\$ 10,202,323</u>	<u>\$ 9,072,491</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 79,778	\$ 162,580
Deferred revenue	<u>1,077</u>	<u>664</u>
Total liabilities	<u>80,855</u>	<u>163,244</u>
FUND BALANCES:		
Nonspendable	82,873	95,601
Committed	145,768	144,860
Unassigned	<u>9,892,827</u>	<u>8,668,786</u>
Total fund balances	<u>10,121,468</u>	<u>8,909,247</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,202,323</u>	<u>\$ 9,072,491</u>

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA
 Reconciliation of the Balance Sheets of
 Governmental Fund to the Statements of Net Position - Government-wide
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
TOTAL GOVERNMENTAL FUND BALANCES	\$ 10,121,468	\$ 8,909,247
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES BUT NOT INCLUDED IN THE GOVERNMENTAL FUND:		
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental fund activity.	15,022,293	14,900,343
 OPEB related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not report as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts affect only the govoernment-wide statements for governmental activities.		
Net OPEB asset (obligation)	(17,926)	7,124
Deferred outflows of resources related to OPEB	80,153	32,504
Deferred inflows of resources related to OPEB	(99,389)	(80,557)
 Some of the revenue will be collected after year end, but is not available soon enough to pay for the current period's expenditures, and, therefore, is reported as unavailable revenue in the governmental funds.		
	74,509	77,647
 Long-term liabilities, consisting of compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds		
	<u>(13,420)</u>	<u>(19,886)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 25,167,688</u>	 <u>\$ 23,826,422</u>

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA
 Statements of Revenues, Expenditures, and Changes
 in Fund Balance - Governmental Fund
 Years Ended June 30, 2022 and 2021

	Governmental Fund	
	<u>2022</u>	<u>2021</u>
REVENUES:		
Property assessments	\$ 2,529,108	\$ 2,475,557
Charges for services	817,295	1,025,919
Federal and state grants	216,171	66,576
Interest	64,862	79,232
Unrealized net gains (loss) on investments	(285,436)	(44,118)
Gain on disposal of equipment	176,782	-
Reimbursements and other	6,309	9,667
Total revenues	3,525,091	3,612,833
EXPENDITURES:		
Flood Protection:		
Operations and maintenance	290,214	355,149
Labor and related	611,144	872,991
Administration	418,179	330,241
Rehabilitation and capital outlay	993,333	397,819
Total expenditures	2,312,870	1,956,200
CHANGE IN FUND BALANCES	1,212,221	1,656,633
FUND BALANCES, BEGINNING OF YEAR BEFORE MERGER	8,909,247	6,410,001
Merger with annexed portion of Reclamation District No. 537	-	842,613
FUND BALANCES, END OF YEAR	\$ 10,121,468	\$ 8,909,247

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT 900, CALIFORNIA
 Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances
 to the Statements of Activities
 Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ 1,212,221	\$ 1,656,633
AMOUNTS REPORTED IN GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION IS DIFFERENT BECAUSE:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	147,725	(285,520)
Portion of gain from disposal of equipment but without net book value for fund purposes	(25,776)	-
OPEB expense reported in the governmental fund includes the employer contributions made. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred inflows and deferred outflows of resources.	3,768	202,170
Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and, therefore, is reported as unavailable revenue in the governmental fund. This is the net change in unavailable revenue for the current period.	(3,138)	(230,778)
Change in the liability for compensated absences is not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources.	<u>6,466</u>	<u>(3,210)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,341,266</u>	<u>\$ 1,339,295</u>

See independent auditors' report and notes to these financial statements

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

1. DESCRIPTION OF THE DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES

The District

Reclamation District 900, California (the “District”) was created by Act of the Legislature in the Statutes of 1911. The District is situated in Yolo County. The District operates under the laws of the Water Code of the State of California, Division 15, Sections 50000 through 53900.

On November 14, 2019, the Yolo Local Agency Formation Commission adopted a resolution reorganizing Reclamation District No. 900 as a Subsidiary District to the City of West Sacramento and is currently governed by the City Council.

By agreement dated October 21, 2019 and effective July 1, 2020 after detachment and annexation of Reclamation District No. 537 territory located within the boundaries of the City of West Sacramento, certain assets of Reclamation District No. 537 were transferred to Reclamation District No. 900. Those assets transferred include the following: (1) land rights and facilities, including the pumping plant; (2) land rights with regard to levees previously operated and maintained by Reclamation District No. 537, including roads, and (3) 93% of Reclamation District No. 537 funds on hand as of the reorganization date. In addition, the detached and annexed area will remain a separate Benefit Assessment Area from the current area of Reclamation District No. 900.

Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service and a special financing relationship.

The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District’s financial statements. However, the City of West Sacramento (the City) exercises such oversight responsibility over the District since reorganization as a Subsidiary District in November 2019. The City Council transitioned as trustees of the District January 2020. Accordingly, the District’s financial statements will also be presented as a blended component unit of the City of West Sacramento as of and for the year ended June 30, 2022 and 2021.

Basis of Presentation and the Measurement Focus of Accounting

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, as applicable

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements Years Ended June 30, 2022 and 2021

to governmental units. As required by GASB, the basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Government fund financial statements
- Notes to the basic financial statements

Government-wide financial statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long term) economic resources and obligations of the reporting government are reporting in the government-wide financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and –like transactions are recognized when the exchange takes place. Such is the same approach used in the preparation of the fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government’s assessment pool if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function.

Fund financial statements – In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses an availability period of 90 days for all revenues.

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect “available spendable resources”, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

As the District does not operate on a fee-for-service basis, but rather from property assessments, the accompanying financial statements are presented as a governmental fund basis, rather than on a proprietary fund basis.

Currently, the District has only one governmental fund, the General Fund. The General Fund is the general operating and maintenance fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The District has adopted a fund balance policy in accordance with GASB 54 requirements. The following fund balance classifications were adopted:

- **Nonspendable Fund Balance** – for funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact. Prepaid expenses are reflected as nonspendable fund balances in the accompanying financial statements.
- **Restricted Fund Balance** – for funds that are mandated for specific purposes by external parties, constitutional provisions, or enabling legislation. There are no restricted funds as of June 30, 2022 and 2021.
- **Committed Fund Balance** – for funds set aside for specific purposes by the District’s highest level of decision-making authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. These committed funds cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. Board of Trustee action to commit fund balance needs to occur within the fiscal reporting period, no later than June

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

30th; however, the amount can be determined with the release of the financial statements. The Board of Trustees has committed \$145,768 and \$144,860 in funds to cover future OPEB costs as of June 30, 2022 and 2021, respectively, and has set aside such funds in a separate account in the County Treasury.

- **Assigned Fund Balance** – for funds constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. As of June 30, 2022, the Board of Trustees has not assigned any funds.
- **Unassigned Fund Balance** – The residual positive net resources of the general fund in excess of what can properly be classified in one of the above four categories.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Governmental Fund Net Assets. The Statement of Revenues, Expenditures, and Changes in Fund Net Assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net assets. The Statement of Cash Flows of a proprietary fund provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 and all Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations.

The District has no proprietary funds as of June 30, 2022 and 2021.

Assessments

The District requires an annual special assessment for revenue to continue reclamation functions, specifically, the operation and maintenance of the internal drainage system. Compliant with Article XIID of the State Constitution, commonly referred to as Proposition 218, and the Proposition 218 Omnibus Implementation Act (Government Code §53750 et seq.), a balloting proceeding was conducted. Through this proceeding, property owners approved, and the board subsequently adopted, an assessment to begin collection in fiscal year 2018/2019 at a rate of \$381.02 per equivalent benefit unit. The board also has discretionary authority to increase such rate by up to 2.25 percent each following year, if deemed necessary, based on the annual change in the Construction Cost Index (CCI) for the 20-city average with Base Year 1913 = 100, published by the Engineering News-Record (ENR). For fiscal year 2021/2022, the board increased the assessment to \$401.91 per equivalent benefit unit from \$393.07 in the 2020/2021 fiscal year.

As stated in Note 1 and effective July 1, 2020, certain territory within the boundaries of the City of West Sacramento previously part of Reclamation District No. 537 and certain assets of Reclamation District No. 537 were transferred to Reclamation District No. 900. The detached and annexed area will remain a separate Benefit Assessment Area from the current area of Reclamation

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

District No. 900 with a benefit assessment of \$0.20 per \$100 of assessed value for the fiscal year 2021/2022.

Yolo County bills and collects a majority of the assessments through property tax bills. Yolo County credits the general fund account maintained by the County Treasurer for 50% of the total assessment in December, 45% in April, and the remaining 5% in June. Those assessments unable to be added to the County Tax Bills are billed and collected directly by the District.

Budgets and Budgetary Accounting

State law does not require the District's governing board to adopt a budget. The District's governing board adopts a budget each year, which is used as a management tool.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2022 and 2021, the District reported deferred outflows of resources related to OPEB, due to a change of assumptions and experience of investment gains/losses, projected versus actual return on assets, and other related differences in experience.

In addition to liabilities, the statement of net position reports a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and, accordingly, will not be recognized as an inflow of resources (revenue) until such time. As of June 30, 2022 and 2021, the District reported deferred inflows of resources related to OPEB, due to a change of assumptions and projected versus actual return on assets.

Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are generally stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounts Receivable

Receivables are reflected at estimated net realizable value. As of June 30, 2022 and 2021, an allowance for doubtful assessment accounts of \$6,476 and \$3,784, respectively, was estimated based on management judgment and the aging of delinquent receivables.

In addition, the District has estimated and recorded an allowance for bad debt related to a receivable from another District for \$77,647 as of June 30, 2022.

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

Lease Assets

Lease assets are recorded at the amount of the initial measurement of the lease liabilities in accordance to GASB Statement No. 87. Lease assets are amortized over the lease term. See Note 7 for information on leases.

Capital Assets

Capital assets, which include level improvements, a pump station, and various types of equipment, are recorded as assets in the government-wide financial statements. For the fund financial statements, capital outlays are recorded as expenditures of the general fund. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation and recorded as capital contributions in the accompanying financial government-wide financial statements.

The District's capitalization thresholds are \$2,500 for office equipment, \$5,000 for field equipment, \$50,000 for pumps and improvements, and \$100,000 for infrastructure assets. 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.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Asset Class	Years
Machinery and equipment	7
Vehicles	8
Generators	20
Pump Stations and levee improvements	15 - 50

Compensated Absences

Accumulated unpaid employee vacation benefits as well as 25% of untaken sick leave benefits are \$13,420 and \$19,886, respectively.

Net OPEB Liability

For purposes of measuring the Net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation.

Subsequent Events

Management has evaluated subsequent events through January 12, 2023, the date upon which the financial statements were available to be issued. Based on such evaluation, no additional adjustments to or disclosures in the financial statements were deemed necessary.

New Accounting Pronouncements

GASB Statement No. 87, *Leases* - The objective of this Statement is to improve accounting and financial reporting for leases by governments, by requiring the recognition of certain lease assets and liabilities that were previously classified as operating leases and recognized as inflows/outflows of resources based on the payment provision of the contract. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. This statement has been implemented in the District's financial statements but did not have a significant effect on the financial statements as the District does not currently lease space or equipment beyond its month-to-month leases.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this statement is to improve financial reporting. This statement defines a Public-Private and Public-Public Partnership (PPP) as an arrangement where a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which is defined as a PPP in which (1) the operator collects and is compensated by fees from third parties, (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

the statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period time in an exchange or exchange-like transaction.

A transferor should generally recognize an underlying PPP asset in financial statements prepared using the economic resources measurement focus; however, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term. This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statement prepares using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Since the District does not have any such arrangements, this Statement has no effect on the District's financial reporting.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement (1) defines a subscription-based information technology arrangement (SBITA), (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established in GASB Statement No. 98, *Leases*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (fiscal 2023). Earlier application is encouraged. The District does not believe the requirements of this statement will have a significant impact on the District's financial statements.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objective of this Statement is to increase consistency and comparability related to the reporting of fiduciary component units without a governing board, and for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This Statement requires that a potential component unit without a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. In addition, this Statement requires that a Section 457 plan be classified as either a pension plan or an other-employee benefit plan depending on whether the plan meets the definition of a pension plan, and clarifies that Statement 84 should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

This Statement also supersedes the remaining provisions of Statement No. 32 – Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and requires that investments of all Section 457 plans be measured as of the end of the plan’s reporting period. The requirements of this Statement related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The remaining parts of this Statement are effective immediately. This Statement has no effect on the District’s financial reporting.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The objective of this Statement is to replace the previous term and acronym for the Comprehensive Annual Financial Report (CAFR) with the Annual Comprehensive Financial Report (ACFR). This Statement is effective beginning FY 2021-22. The District has implemented this change in its current Annual Comprehensive Financial Report.

GASB Statement No. 99 – *Omnibus 2022*. The primary objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. These issues include clarifications of provisions and terminology updates in the following previous pronouncements: Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 87 - *Leases*; Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96 - *Subscription-Based Information Technology Arrangements*; Statement No. 34 - *Basic Financial Statements and Management’s Discussion and Analysis—for State and Local Governments*; Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement has various effective dates for each provision and has no effect on the District's financial reporting.

GASB Statement No. 100 – *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. “Accounting changes” are defined in GASB Statement No. 100 as changes in accounting principles, changes in estimates, and changes to or within the financial reporting entity. Changes in accounting principles and estimates are only warranted when a new principle or methodology is determined to be preferable to that which was in use prior to the change, based on the qualitative characteristics of financial reporting. The Statement specifies whether prospective or retrospective implementation is required for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. It has minimal or no effect on the District’s financial reporting.

GASB Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement applies to recognition of the following types of compensated absences (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Recognition of a liability should occur for leave that has not been used if all of the following are met (1) the leave is attributable to services already rendered by an employee, (2) the leave accumulates and is carried forward over multiple reporting periods whereby it may be used, paid or settled, and (3) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The disclosure requirements for compensated absences have been amended to require only the net change in the liability for compensated absences be disclosed rather than the gross increases and decreases as previously required. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. It has minimal or no effect on the District's financial reporting.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 500	\$ 500
Deposits with Financial Institutions	513,413	122,494
Pooled Cash and Investments with County Treasury	<u>9,023,388</u>	<u>8,657,754</u>
Total Cash and Investments	<u>\$ 9,537,301</u>	<u>\$ 8,780,748</u>

The District has not adopted an investment policy. The District relies on the Yolo County Treasury to maintain investments in accordance with the State of California policies. The external investment pool with the Yolo County Treasury is described as follows:

Yolo County Treasury

As provided for by the California Government Code, the District maintains cash in the Yolo County Pooled Investment Fund (County Treasury). The County Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Investment gains and losses are proportionately shared by the participants as increases or reductions in earnings. The value of the pool shares in the County Treasury, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's portion in the pool.

The County Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County Treasury are either secured by federal depository insurance or are collateralized.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

The County Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. Treasury notes and agency obligations, state registered warrants and municipal notes, local agency bonds, the State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit and repurchase or reverse repurchase agreements.

The County Treasurer is overseen by the Board of Supervisors Investment Committee, pursuant to Government Code, and must adhere to an annual investment policy that prohibits investments that have the possibility of returning a zero or negative yield if held to maturity.

Investments Authorized by the District's Investment Policy

The District invests in investment types authorized for the entity by the California Government Code 53601.

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 values to changes in market interest rates. The County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

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 risk is measured by the assignment of a rating by the nationally recognized statistical rating organization. As of June 30, 2022, the County Treasury is not rated.

The District has no limitation on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code.

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 recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District and the California Government Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: the California Government Code requires that a financial institution secure deposits made by state and local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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.

All bank deposits as of June 30, 2022 are insured by the Federal Depository Insurance Corporation (FDIC).

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available. Additional disclosure detail required by Government Accounting Standards Board Statement No. 3, No. 31, No. 40, and GASB Technical Bulletin 94-1, regarding cash deposits and investments, are presented in the financial statements of the County of Yolo for the year ended June 30, 2022.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022, the District held no individual investments. All investments are held in pooled investments funds.

Within the external investment funds, deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments in such pooled funds are an uncategorized input not defined as Level 1, Level 2, or Level 3 input. The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. CAPITAL ASSETS

A summary of current-year changes to capital assets, the total of which is recorded in the government-wide statements, is shown as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2022</u>
Pump stations and related	\$ 15,581,681	\$ -	\$ -	\$ 15,581,681
Furniture and equipment	42,028	15,814	-	57,842
Vehicles and moving equipment	1,377,498	-	(236,425)	1,141,073
Building and improvements	<u>2,041,148</u>	<u>764,341</u>	<u>-</u>	<u>2,805,489</u>
	19,042,355	780,155	(236,425)	19,586,085
Accumulated depreciation	<u>(4,142,012)</u>	<u>(632,430)</u>	<u>210,650</u>	<u>(4,563,792)</u>
Net capital assets	<u>\$ 14,900,343</u>	<u>\$ 147,725</u>	<u>\$ (25,777)</u>	<u>\$ 15,022,293</u>

4. RETIREMENT PLANS

The District provides pension benefits for all of its full-time employees through a defined contribution plan (a money purchase plan) of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The District contributes

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

14% of the employees' salary each year. The District's contributions for each employee (and interest allocated to the employees' account) are fully vested after five years of continuous service. District contributions for, and interest forfeited by, employees who leave employment before six years of service are used to reduce the District's current-period contribution requirement.

The District contributed \$56,067 and \$55,782 for the years ended June 30, 2022 and 2021, respectively, to the money purchase plan, including available forfeitures. The plan is administered through the Equitable Company.

During the year ended June 30, 2020, the Board of Trustees approved an additional deferred compensation retirement plan under Section 457 of the Internal Revenue Code. As of June 30, 2022, such a retirement account has been established with CalPERS with the General Manager as Administrator. Partial funding is anticipated in the near future.

5. OTHER POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Plan Description. The postemployment healthcare benefit plan was formally adopted by resolution in June 2015, though the District had been paying benefits for three retirees on a pay-as-you-go basis prior to adopting a formal plan. Postemployment medical benefits will be made to all qualifying retirees with benefits consistent with those offered to active employees (the district contribution is capped at 80% of the average of Sacramento area CalPERS rates). There is dependent coverage but no survivor benefit. Retiree benefits are paid to employees who have attained age 60 with twenty years of service.

Funding Policy. The District has a formal trust agreement with CalPERS to fund the Net OPEB liability and funded \$220,127 during the year ended June 30 2021. In addition, the District has committed and set aside funds at the County for this purpose in the amount of \$145,768 as of June 30, 2022.

Employees Covered

As of the June 30, 2022 actuarial valuation, the following number of current and former employees were covered by the benefit terms under the Plan:

Active employees	6
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>9</u>

Contributions

The District's plan and its contribution requirements have been established by board resolution, the Employee Handbook and according to current year CalPERS rates for active employees (with an 80% contribution cap). For the fiscal years ended June 30, 2022 and 2021, the District made benefit payments to the health plan provider of \$26,050 and \$26,020 on a pay-as you-go basis.

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

Net OPEB Liability

The District's Net OPEB Liability was measured on June 30, 2021, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2022.

That valuation is based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	6.0%
Inflation	2.5% per annum
Salary Increases	2.75% per annum
Investment rate of Return	6.0%, based on the Building Block Method
Mortality Rate	Derived using CalPERS' 2017 Active Mortality Table for Miscellaneous and Schools Employees
Retirement rate	Derived using tables from the 2017 CalPERS 2.0%@62 rates for Miscellaneous Employees experience
Healthcare trend rate	4% per annum

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0 percent. The discount rate has been set equal to the long-term expected rate of return on investments.

Changes in the OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability = (a) – (b)
Balance at June 30, 2021, measurement date	\$ 350,718	\$ 357,842	\$ (7,124)
Changes recognized for the measurement period			
Service cost	21,201	-	21,201
Interest	21,751	(44,854)	66,605
Employer contributions	-	26,602	(26,602)
Administrative expenses	-	(300)	300
Experience (gains) losses	(45,205)	-	(45,205)
Benefit payments for retiree healthcare	(26,602)	(26,602)	-
Changes in assumptions	8,751	-	8,715
Net change in net OPEB liability	<u>(20,104)</u>	<u>(45,154)</u>	<u>25,050</u>
Balance as of June 30, 2022, measurement date	<u>\$ 330,614</u>	<u>\$ 312,688</u>	<u>\$ 17,926</u>

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate

The following presents the Net OPEB Liability of the District if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2022:

	1% Decrease	Current Discount Rate	1% Increase
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability (Asset)	\$ 57,252	\$ 17,926	(\$14,849)

Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease	Current Trend Rate	1% Increase
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability (Asset)	(\$19,046)	\$ 17,926	\$ 63,493

OPEB Plan Fiduciary Net Position

The District's Fiduciary Net Position is \$312,688 as the OPEB liability has been partially funded in a CERBT funding vehicle through a trust agreement with CalPERS (CERBT Asset Allocation Strategy 2).

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining Service lifetime (EARSLS)

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

OPEB Expense and Deferred Outflows Related to OPEB

As of June 30, 2022, deferred inflows and outflows of resources related to OPEB are from the following sources:

	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
Differences between projected and actual return on assets	\$ 46,883	\$ -
Differences between expected and actual experience	2,514	(40,592)
Changes in assumptions	<u>30,756</u>	<u>(58,797)</u>
Balance at June 30, 2021	<u>\$ 80,153</u>	<u>(\$ 99,389)</u>

Net OPEB expense for the years ended June 30, 2022 and 2021 is comprised as follows:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 21,201	\$ 19,488
Interest cost	21,751	21,042
Expected return on assets	(22,356)	(14,941)
Administrative expense	300	151
Recognition of experience gain (loss) deferrals	(4,310)	303
Recognition of assumption change deferrals	(5,356)	(6,249)
Recognition of investment (gain) loss deferrals	<u>11,605</u>	<u>(1,837)</u>
Net OPEB expense	<u>\$ 22,835</u>	<u>\$ 17,957</u>

Net OPEB expense does not include \$26,050 employer contributions for retiree healthcare benefits.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Recognition of Deferred Outflows and Inflows of Resources in Future		
Pension Expense		
Fiscal Year Ending June 30:	Net Deferred Inflows of Resources	Net Deferred Outflows of Resources
2023	\$ 13,523	\$ 15,462
2024	13,523	15,462
2025	13,523	14,088
2026	13,523	17,299
2027	13,523	3,857
Thereafter	<u>31,774</u>	<u>13,985</u>
	<u>\$ 99,389</u>	<u>\$ 80,153</u>

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

6. CONTINGENCIES

The District has programs for public liability and property damage. There have been no settlements related to these programs that exceed insurance coverage during the 2021-22 fiscal year. The District retains the risk for all loss exposure in excess of insurance coverage. Claims, expenditures, and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated.

The District periodically receives Federal, State, and local funds for specific purposes and is subject to compliance requirements. Such funding is subject to review and audit by the awarding agencies at their discretion. If such audits were to disallow any expenditure, the District could potentially be liable to return funds. Management believes that such amounts, if any, would not have a significant effect on the financial position of the District. This is not considered a probable contingency and no liability has been reported on these financial statements.

7. LEASES

The District's space lease ended during the year ended June 30, 2022, and the District moved into its new facility in April 2022. The District has a month-to-month equipment lease as of June 30, 2022 but no lease commitments as of the date of this report.

8. RELATED PARTY TRANSACTIONS

On November 14, 2019, the Yolo Local Agency Formation Commission adopted a resolution reorganizing Reclamation District No. 900 as a Subsidiary District to the City of West Sacramento, and the City Council became the new trustees of the District. The following summarizes cash receipts and disbursements, as well as accounts receivables from and payables to the City of West Sacramento (COWS), as of and for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Cash receipts:</u>		
Property assessments received	\$ 27,186	\$ 5,717
Property assessments from COWS on behalf of RD 811	2,902	-
Property assessments from COWS on behalf of WUSD	61,790	-
Operations and maintenance charges received from City of West Sacramento on behalf of WSAFCA	<u>814,393</u>	<u>795,142</u>
Total cash receipts from City of West Sacramento	<u>\$ 906,271</u>	<u>\$ 800,859</u>
<u>Cash disbursements:</u>		
Water and sewer charges paid	\$ 1,356	\$ 603
Assessments paid	9,484	-
Shared services and other charges for services provided	<u>99,388</u>	<u>63,355</u>
Total cash disbursed to City of West Sacramento	<u>\$ 110,228</u>	<u>\$ 63,958</u>

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

Accounts receivable from the City of West Sacramento	<u>\$ 429,434</u>	<u>\$ 107,544</u>
Accounts payable to the City of West Sacramento	<u>\$ -</u>	<u>\$ 29,421</u>

9. REORGANIZATION WITH RECLAMATION DISTRICT NO. 537

By agreement dated October 21, 2019 and effective July 1, 2020, pending detachment and annexation of Reclamation District No. 537 territory located within the boundaries of the City of West Sacramento, certain assets of Reclamation District No. 537 were transferred to Reclamation District No. 900. Assets transferred included the following: (1) land rights and facilities, including the pumping plant; (2) land rights with regard to levees previously operated and maintained by Reclamation District No. 537, including roads, and (3) 93% of Reclamation District No. 537 funds on hand, after settlement of accounts receivable and payable as of June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT 900, CALIFORNIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Years Ended June 30, 2022 and 2021

	2022			2021		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
REVENUES:						
Assessments	\$ 2,523,143	\$ 2,529,108	\$ 5,965	\$ 2,430,272	\$ 2,475,557	\$ 45,285
Operation and maintenance charges	738,262	817,295	79,033	730,786	1,025,919	295,133
Federal and state grants	205,100	216,171	11,071	189,000	66,576	(122,424)
Interest	66,000	64,862	(1,138)	10,000	79,232	69,232
Unrealized net gains (losses) on investments	40,000	(285,436)	(325,436)	-	(44,118)	(44,118)
Gain on disposal of equipment	-	176,782	176,782	-	-	-
Reimbursements and other	14,350	6,309	(8,041)	9,000	9,667	667
Total revenues	<u>3,586,855</u>	<u>3,525,091</u>	<u>(61,764)</u>	<u>3,369,058</u>	<u>3,612,833</u>	<u>243,775</u>
EXPENDITURES:						
Flood Protection:						
Operations and maintenance	471,500	290,214	181,286	370,000	355,149	14,851
Labor and related	1,017,400	611,144	406,256	969,000	872,991	96,009
Administration	341,000	418,179	(77,179)	260,000	330,241	(70,241)
Repair, replacements, and rehabilitation	1,825,000	993,333	831,667	878,153	397,819	480,334
Total expenditures	<u>3,654,900</u>	<u>2,312,870</u>	<u>1,342,030</u>	<u>2,477,153</u>	<u>1,956,200</u>	<u>520,953</u>
CHANGE IN FUND BALANCE	(68,045)	1,212,221	(1,403,794)	891,905	1,656,633	(277,178)
FUND BALANCE, BEGINNING OF YEAR BEFORE MERGER	8,909,247	8,909,247	-	6,410,001	6,410,001	-
Merger with annexed portion of Reclamation District No. 537	-	-	-	-	842,613	-
FUND BALANCE, END OF YEAR	<u>\$ 8,841,202</u>	<u>\$ 10,121,468</u>	<u>\$ (1,403,794)</u>	<u>\$ 7,301,906</u>	<u>\$ 8,909,247</u>	<u>\$ (277,178)</u>

RECLAMATION DISTRICT 900, CALIFORNIA
Schedule of Expenditures - Budget and Actual - General Fund
Years Ended June 30, 2022 and 2021

	2022			2021		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATIONS AND MAINTENANCE:						
Facilities:						
Facilities - power	\$ 95,000	\$ 111,995	\$ (16,995)	\$ 80,000	\$ 78,142	\$ 1,858
Facilities - fuel	10,000	29,950	(19,950)	5,000	24,739	(19,739)
Supplies and materials	16,000	-	16,000	10,000	-	10,000
Facilities - repairs	15,000	-	15,000	10,000	-	10,000
Facilities - equipment and tools	20,000	13,468	6,532	20,000	-	20,000
Herbicides	65,000	53,131	11,869	60,000	60,570	(570)
Field services	70,000	2,800	67,200	5,000	50,618	(45,618)
Debris and trash disposal	25,000	9,128	15,872	25,000	22,377	2,623
Professional fees:						
Pesticide	17,500	14,942	2,558	10,000	13,219	(3,219)
Engineering	19,000	5,765	13,235	40,000	14,862	25,138
Other	8,000	800	7,200	5,000	750	4,250
Equipment:						
Fuel	30,000	-	30,000	40,000	-	40,000
Repair and servicing	37,500	21,970	15,530	20,000	34,422	(14,422)
Parts and supplies	27,500	26,099	1,401	20,000	43,813	(23,813)
Purchase	-	166	(166)	10,000	-	10,000
Rentals	16,000	-	16,000	10,000	11,638	(1,638)
	<u>\$ 471,500</u>	<u>\$ 290,214</u>	<u>\$ 181,286</u>	<u>\$ 370,000</u>	<u>\$ 355,150</u>	<u>\$ 14,850</u>
LABOR AND RELATED:						
Compensation and related:						
Administrative salary and wages	\$ 308,400	\$ 97,637	\$ 210,763	\$ 170,000	\$ 168,361	\$ 1,639
Field salary and wages	359,800	261,555	98,245	350,000	264,096	85,904
Overtime	8,000	-	8,000	8,000	-	8,000
Payroll taxes	53,000	28,255	24,745	60,000	33,344	26,656
Medical insurance	120,900	102,048	18,852	75,000	91,152	(16,152)
Dental insurance	3,600	2,561	1,039	6,000	2,963	3,037
Retiree medical	28,800	26,050	2,750	165,000	220,127	(55,127)
Retirement plan	93,500	56,067	37,433	75,000	55,782	19,218
Workers' compensation insurance	30,000	17,631	12,369	50,000	27,573	22,427
Uniforms	5,400	4,461	939	5,000	5,055	(55)
Training and licensing	6,000	14,879	(8,879)	5,000	4,538	462
	<u>\$ 1,017,400</u>	<u>\$ 611,144</u>	<u>\$ 406,256</u>	<u>\$ 969,000</u>	<u>\$ 872,991</u>	<u>\$ 96,009</u>
ADMINISTRATION:						
Liability and auto Insurance	\$ 60,000	\$ 61,261	\$ (1,261)	\$ 55,000	\$ 57,034	\$ (2,034)
Professional fees:						
Professional services - legal	57,500	26,809	30,691	45,000	54,990	(9,990)
Professional services - accounting and payroll	42,000	40,477	1,523	45,000	51,823	(6,823)
Professional services - assessment administration	31,500	11,076	20,424	30,000	31,644	(1,644)
Professional services - COWS shared services	-	104,348	(104,348)	-	29,421	(29,421)
Professional services - Other	15,000	(279)	15,279	-	-	-
Rent	15,000	10,162	4,838	15,000	15,000	-
Office:						
Office - utilities and janitorial	10,800	10,155	645	6,600	9,513	(2,913)
Office- supplies and software	12,000	5,861	6,139	13,400	11,432	1,968
Office - equipment	15,000	3,888	11,112	10,000	7,721	2,279
Office - furnishings	20,000	18,139	1,861	-	-	-
Memberships	7,200	5,831	1,369	10,000	10,770	(770)
Permits and fees	41,500	26,837	14,663	25,000	36,227	(11,227)
Bad debt expense	-	77,269	(77,269)	-	-	-
Assessments paid	9,500	11,978	(2,478)	-	-	-
Other	4,000	4,367	(367)	5,000	14,665	(9,665)
	<u>\$ 341,000</u>	<u>\$ 418,179</u>	<u>\$ (77,179)</u>	<u>\$ 260,000</u>	<u>\$ 330,240</u>	<u>\$ (70,240)</u>
REPAIR, REPLACEMENTS, AND REHABILITATION:						
Capital - facilities	\$ 1,819,375	\$ 852,909	\$ 966,466	\$ 707,449	\$ 347,350	\$ 360,099
Capital - levee related	5,625	140,424	(134,799)	170,704	50,468	120,236
	<u>\$ 1,825,000</u>	<u>\$ 993,333</u>	<u>\$ 831,667</u>	<u>\$ 878,153</u>	<u>\$ 397,818</u>	<u>\$ 480,335</u>

RECLAMATION DISTRICT NO. 900

Schedule 3 – Schedule of Changes in the Net OPEB Liability and Related Ratios
Measurement Period Ended June 30

Measurement Period	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability:					
Service cost	\$ 21,201	\$ 19,488	\$ 20,549	\$ 37,674	\$ 36,666
Interest on the total OPEB liability	21,751	21,042	18,355	22,181	11,645
Changes in assumptions	8,751	9,219	20,846	(94,437)	-
Benefit payments	(26,602)	(26,020)	(16,601)	(14,810)	(14,240)
Experience (gains) losses	<u>(45,205)</u>	<u>-</u>	<u>3,423</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(20,104)	23,729	46,572	(49,392)	34,071
Total OPEB liability - beginning	<u>350,718</u>	<u>326,989</u>	<u>280,417</u>	<u>329,809</u>	<u>295,738</u>
Total OPEB liability – ending (a)	330,614	350,718	326,989	280,417	329,809
Plan Fiduciary Net Position:					
Contribution - employer	26,602	220,127	152,001	-	-
Net investment income (loss)	(44,854)	31,004	(2,481)	-	-
Benefit payments	(26,602)	(26,020)	(16,601)	-	-
Administrative expense	<u>(300)</u>	<u>(151)</u>	<u>(37)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(45,154)	224,960	132,882	-	-
Plan fiduciary net position - beginning	<u>357,842</u>	<u>132,882</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position – ending (b)	<u>312,688</u>	<u>357,842</u>	<u>132,882</u>	<u>-</u>	<u>-</u>
Net OPEB Liability (asset) – ending (a) –(b)	<u>\$ 17,926</u>	<u>\$ (7,124)</u>	<u>\$ 194,107</u>	<u>\$ 280,417</u>	<u>\$ 329,809</u>
Plan fiduciary net position as a percentage of the total OPEB liability	95%	102%	41%	0%	0%

RECLAMATION DISTRICT NO. 900

Schedule 4 – Schedule of Changes in the Net OPEB Liability and Related Ratios
Measurement Period Ended June 30

Fiscal Year Ended June 30 ¹	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially Determined Contribution (ADC)	NA	NA	NA	N/A	N/A
Contribution in relation to the ADC	\$26,602	\$220,127	\$152,001	\$ 14,810	\$ 14,640

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2022 were from the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation Rate	2.5%
Payroll Growth Rate	2.75% per annum
Investment Rate of Return	6.0% per annum
Healthcare Cost Trend Rate	4% per annum
Retirement Age	2.0% @62
	The probabilities of retirement are based on the 2017 CalPERS Experience Study for Miscellaneous Employees experience
Mortality	Pre-retirement mortality probability based on 2017 Active Mortality Table for Miscellaneous and Schools Employees

¹ Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

OTHER REPORT



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

To the Board of Trustees of
Reclamation District 900, California
West 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 governmental activities, each major fund as applicable, and the aggregate remaining fund information of Reclamation District 900, California (the District), which comprise District's basic financial statements as listed in the Table of Contents, as of June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule as item 2022-1 to be a material weakness.

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. We consider the deficiencies 2022-2 and 2022-3, described in the accompanying schedule, to be significant deficiencies.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
January 12, 2023

Section II – Financial Statement Findings

Finding 2022-1 SEGREGATION OF DUTIES (Material Weakness)

Criteria: A key element in a system of internal control over financial reporting is separation of duties, reducing the risk of error and/or financial statement fraud, as well as risk of theft or mismanagement of funds. The functions of authorization, custody of assets, and recording in the books and records should be performed by separate individuals.

Condition: With the board transition, the new General Manager became the signer on all bank accounts and authorizer of all invoices, while retaining edit access in the accounting system. In addition, certain key reports and financial analysis (such as balance sheet reconciliations and nonstandard journal entries) do not evidence independent review and approval.

Cause: In prior years, certain elements of the system of internal control were performed by the board of trustees in order to provide segregation of duties (the authorization function). During the year ended June 30, 2022, duties had not yet been reassigned to ensure proper segregation.

Effect: The risk of error or fraud is more likely without adequate segregation of duties and independent oversight.

Recommendation: The organization can overcome the effects of a small accounting department by increasing staff or the level of supervision, as well as enlisting board members to perform some functions. Specifically we recommend the following:

- Design duties to ensure separation outlined above and include such duties in job descriptions
- Reassign edit access within the accounting system
- Provide for independent reviews and approvals of :
 - Key reconciliations and reports,
 - Nonstandard journal entries
 - Timesheets
 - Payroll changes
 - Accrued vacation calculation

Finding 2022-2 ACCRUAL OF REIMBURSABLE GRANT COSTS (Significant Deficiency)

Criteria: Generally accepted accounting principles require that costs reimbursable through grants and contracts be accrued as a receivable when costs are incurred rather than when billed.

Condition: Material audit adjustments were required to properly accrue grant receivables in the correct fiscal period.

Effect: Material revenues were not recorded in the correct fiscal year.

Cause: Grant invoices (via letter or government form) were not recorded in the accounting system when billed. We noted one grant billing prepared outside of the accounting system and not reflected as a receivable as of June 30, 2022.

Recommendation: The District should prepare all grant billings within the QuickBooks accounting system. Such accruals should be independently reviewed and approved.

Finding 2022 -3 FINANCIAL POLICIES AND PROCEDURES (Significant Deficiency)

Criteria: Formal financial policies and procedures are part of an effective system of internal control, strengthening the control environment.

Condition: The District has not yet documented their financial policies and/or procedures.

Effect: Without formal financial policies and procedures, the District cannot ensure that internal controls have been properly designed, including proper segregation of duties.

Recommendation: Financial policies and procedures should include, but not be limited to, the following:

- *Revenue recognition*
- *Segregation of duties and delegation of authority and reviews and approvals*
- *Balance sheet account reconciliations and the monthly close*
- *Key OPEB actuarial assumptions*
- *Grant billing and compliance*
- *Petty cash control and surprise counts*
- *Capital assets, including capitalization thresholds and depreciation method*
- *Vendor management*
- *Timesheet approvals and payroll processing*
- *General computer controls including access, data backup, and physical security*