

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

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**WITH INDEPENDENT AUDITORS' REPORTS THEREON**

**Year Ended June 30, 2021**

**RECLAMATION DISTRICT 900, CALIFORNIA**  
**P.O. Box 673**  
**West Sacramento, California 95691**  
**Tel: (916) 371-1483**

**BOARD OF TRUSTEES**  
**Elected Officials**

<b>Martha Guerrero</b>	<b>President</b>
<b>Chris Ledesma</b>	<b>Trustee</b>
<b>Quirina Orozco</b>	<b>Trustee</b>
<b>Norma Alcala</b>	<b>Trustee</b>
<b>Dawnte West</b>	<b>Trustee</b>

**DISTRICT MANAGEMENT**

**G. Fabun Acting District Manager and Secretary**

# TABLE OF CONTENTS

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	<b>Page</b>
<b>Independent Auditors' Report</b>	1 - 2
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet –Governmental Fund	5
Reconciliation of Balance Sheet of Governmental Fund to Statement of Net Position – Government-wide	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	7
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities – Government-wide	8
Notes to Financial Statements	9 – 26
<b>Required Supplementary Information:</b>	
Schedule 1 - Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	27
Schedule 2 - Expenditures – Budget and Actual – General Fund	28
OPEB Plan:	
Schedule 3 – Schedule of Changes in the Net OPEB Asset and Related Ratios	29
Schedule 4 – Schedule of the District's OPEB Contributions	30
<b>Other Report:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	31-34

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and major funds of Reclamation District 900, California, (the District) as of June 30, 2021, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Reclamation District 900, California as of June 30, 2021, and the respective changes in financial position thereof for the year 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.

## **Other Matters**

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the budgetary comparisons (Schedule 1 and 2), the schedules of changes in net OPEB liability and related ratios (Schedule 3) and the Schedule of the District's OPEB Contributions (Schedule 4) identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion to provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2022 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 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  
February 10, 2022

## **BASIC FINANCIAL STATEMENTS**

RECLAMATION DISTRICT 900, CALIFORNIA

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
	<u>2021</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
ASSETS:	
Cash	\$ 122,994
Pooled cash and investments in County Treasury	8,657,754
Assessments receivable, net of allowance for doubtful accounts	129,566
Receivable from RD 537	77,647
Grant reimbursement receivable	66,576
Prepaid expenses	95,601
Net OPEB asset	7,124
Fixed assets, net of accumulated depreciation	<u>14,900,343</u>
 TOTAL ASSETS	 24,057,605
 DEFERRED OUTFLOWS OF RESOURCES - OPEB	 <u>32,504</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 24,090,109</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
LIABILITIES:	
Accounts payable and other accrued expenses	\$ 156,677
Payroll related accruals	25,789
Deferred revenue	<u>664</u>
Total liabilities	<u>183,130</u>
 DEFERRED INFLOWS OF RESOURCES - OPEB	 <u>80,557</u>
 NET POSITION:	
Invested in capital assets, net of \$-0- related debt	14,900,343
Unrestricted	<u>8,926,079</u>
 Total net position	 <u>23,826,422</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	 <u>\$ 24,090,109</u>

See independent auditors' report and notes to these financial statements

**RECLAMATION DISTRICT 900, CALIFORNIA**  
Statement of Activities  
Year Ended June 30, 2021

	2021			
	Program Revenues		Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Governmental Activities	
GOVERNMENTAL ACTIVITIES:				
Flood Protection	\$ 2,042,761	\$ 795,142	\$ 66,576	\$ (1,181,043)
GENERAL REVENUES:				
Property assessments				2,475,557
Interest				79,232
Unrealized gains on investments				(44,118)
Reimbursements and other				9,667
Total general revenues				2,520,338
CHANGE IN NET POSITION				1,339,295
NET POSITION, BEGINNING OF YEAR BEFORE MERGER				21,428,830
Merger with annexed portion of Reclamation District No. 537				1,058,297
NET POSITION, END OF YEAR				\$ 23,826,422

See independent auditors' report and notes to these financial statements



RECLAMATION DISTRICT 900, CALIFORNIA

Balance Sheet - Governmental Fund

June 30, 2021

	<u>Governmental Fund</u>	
	<u>2021</u>	
<b>ASSETS</b>		
ASSETS:		
Cash and cash equivalents	\$	122,994
Pooled cash and investments in County Treasury		8,657,754
Assessments receivable		129,566
Grants receivable		66,576
Prepaid expenses		<u>95,601</u>
 TOTAL ASSETS	 \$	 <u><u>9,072,491</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
LIABILITIES:		
Accounts payable and other accrued expenses	\$	162,580
Deferred revenue		<u>664</u>
Total liabilities		<u>163,244</u>
 FUND BALANCES:		
Nonspendable		95,601
Committed		144,860
Unassigned		<u>8,668,786</u>
Total fund balances		<u>8,909,247</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$	 <u><u>9,072,491</u></u>

See independent auditors' report and notes to these financial statements

**RECLAMATION DISTRICT 900, CALIFORNIA**  
 Reconciliation of the Balance Sheet of  
 Governmental Fund to the Statement of Net Position - Government-wide  
 June 30, 2021

	<u>2021</u>
TOTAL GOVERNMENTAL FUND BALANCES	\$ 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.	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 gvoernment-wide statements for governmental activities.	
Net OPEB asset	7,124
Deferred outflows of resources related to OPEB	32,504
Deferred inflows of resources related to OPEB	(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.	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>(19,886)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 23,826,422</u>

See independent auditors' report and notes to these financial statements

**RECLAMATION DISTRICT 900, CALIFORNIA**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Governmental Fund  
Year Ended June 30, 2021

	Governmental Fund
	<u>2021</u>
REVENUES:	
Property assessments	\$ 2,475,557
Charges for services	1,025,919
Federal and state grants	66,576
Interest	79,232
Unrealized gains (losses) on investments	(44,118)
Reimbursements and other	<u>9,667</u>
Total revenues	<u>3,612,833</u>
EXPENDITURES:	
Flood Protection:	
Operations and maintenance	355,149
Labor and related	872,991
Administration	330,241
Rehabilitation and capital outlay	<u>397,819</u>
Total expenditures	<u>1,956,200</u>
CHANGE IN FUND BALANCES	1,656,633
FUND BALANCES, BEGINNING OF YEAR BEFORE MERGER	6,410,001
Merger with annexed portion of Reclamation District No. 537	<u>842,613</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 8,909,247</u></u>

See independent auditors' report and notes to these financial statements

**RECLAMATION DISTRICT 900, CALIFORNIA**  
 Reconciliation of Statement of Revenues, Expenditures, and  
 Changes in Fund Balances to the Statement of Activities  
 Year Ended June 30, 2021

	<u>2021</u>
CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ 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.	(285,520)
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 asset (liability) and related change in OPEB amounts for deferred inflows and deferred outflows of resources.	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.	(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>(3,210)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,339,295</u></u>

See independent auditors' report and notes to these financial statements

# RECLAMATION DISTRICT NO. 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

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## 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, 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 900, CALIFORNIA

### Notes to Financial Statements

Year Ended June 30, 2021

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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 900, CALIFORNIA

### Notes to Financial Statements

Year Ended June 30, 2021

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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, 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 30<sup>th</sup>; however, the amount can be determined with the release of the financial statements.

## RECLAMATION DISTRICT 900, CALIFORNIA

### Notes to Financial Statements

Year Ended June 30, 2021

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The Board of Trustees has committed \$144,860 in funds to cover future OPEB costs as of June 30, 2021 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, 2021, 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, 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 XIII D 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 2020/2021, the board increased the assessment to \$393.07 per equivalent benefit unit from \$387.92 in the 2019/2020 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 District No. 900 with a benefit assessment of \$0.20 per \$100 of assessed value for the fiscal year 2020/2021.



## RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

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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, 2021, the District reported deferred outflows of resources related to OPEB, due to a change of assumptions and experience of investment gains/losses.

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, 2021, the District reported deferred inflows of resources related to OPEB, due to a change of assumptions.

### ***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, 2021, an allowance for doubtful accounts of \$3,784 was estimated based on management judgment and the aging of delinquent receivables.

### ***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.

# RECLAMATION DISTRICT 900, CALIFORNIA

## Notes to Financial Statements

Year Ended June 30, 2021

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 recognized as a liability of the District on the government-wide financial statements. The General Fund generally liquidates compensated absences. The balance at June 30, 2021 was \$19,886.

### ***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:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

### ***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.

## RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

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### *Subsequent Events*

Management has evaluated subsequent events through February 10, 2022, 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 better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were originally effective beginning fiscal 2020 and has been postponed by one year as a result of GASB Statement No. 95 and was amended by GASB Statement No. 97. Management does not believe that the implementation of this standard will have a significant effect upon the District's financial reporting.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this Statement (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information will also enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. This statement was originally effective beginning fiscal 2021 but has been postponed by one year as a result of GASB Statement No. 95. Management does not believe this statement will have any effect on the District's financial reporting.

GASB Statement No. 91, *Conduit Debt Obligations* – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and

## RECLAMATION DISTRICT 900, CALIFORNIA

### Notes to Financial Statements

Year Ended June 30, 2021

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deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

This statement is originally effective beginning fiscal 2022 but has been postponed by one year as a result of GASB Statement No. 95. Management does not believe this statement has any effect on the District's financial reporting.

GASB Statement No. 92 – *Omnibus 2020* – The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing certain practice issues during implementation and application of certain GASB statements. This statement addresses a variety of topics and includes specific provisions about the following:

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

The requirements of this Statement are effective in varying reporting periods by topic but generally for fiscal years beginning after June 15, 2021. This statement has no effect on the District's financial reporting.

GASB Statement No. 93 – *Replacement of Interbank Offering Rate* – This Statement applies to governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate. This Statement is originally effective beginning fiscal 2021 but has been postponed by one year as a result of GASB Statement No. 95. Management believes this Statement will have no effect on the District's financial reporting.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2023. The primary objective of this Statement is to improve financial reporting by requiring governments to report and disclose assets and liabilities related to these public/private partnership (PPP) arrangements consistently. The required disclosures will allow users to understand the scale and significance of a government's PPP and evaluate a government's future obligations and assets resulting from PPP relationships. This statement is effective beginning fiscal 2023. Since the District does not have any such arrangements, this statement will have no effect on the District's financial reporting.

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this statement is to provide temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements and

# RECLAMATION DISTRICT 900, CALIFORNIA

## Notes to Financial Statements

Year Ended June 30, 2021

implementation guides. The postponements range from one year to 18 months as indicated in the statements listed above.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. A SBITA is defined as a contract that conveys control of the right to use another party’s information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange transaction. The subscription term includes the period during which a government has a non-cancellable right to use the underlying IT assets. Under this Statement, a government generally should recognize a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term. The subscription asset should initially be measured as the sum of (1) the initial subscription liability, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalized implementation costs, less any incentives received for the vendor at or before the commencement of the subscription term. Management is evaluating the effect, if any, that this Statement may have on the District’s financial reporting.

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*, effective for fiscal years beginning after June 15, 2021 relative to Section 457 plans, while the remainder of the new Statement is effective immediately. 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 No. 84 should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

## 2. CASH AND INVESTMENTS

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

	2021
Cash on hand	\$ 500
Deposits with Financial Institutions	122,494
Pooled Cash and Investments with County Treasury	<u>8,657,754</u>
Total Cash and Investments	<u>\$ 8,780,748</u>

## RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

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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.

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.

## RECLAMATION DISTRICT 900, CALIFORNIA

### Notes to Financial Statements

Year Ended June 30, 2021

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#### 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, 2021, 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, 2021 are insured by the Federal Depository Insurance Corporation (FDIC).

#### 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, 2021.

#### 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, 2021, 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

# RECLAMATION DISTRICT 900, CALIFORNIA

## Notes to Financial Statements

Year Ended June 30, 2021

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, 2020</u>	<u>Merger July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</u>
Pump stations and related	\$ 14,984,743	\$ 596,938	\$ -	\$ -	\$ 15,581,681
Furniture and equipment	42,028	-	-	-	42,028
Vehicles and moving equipment	1,377,498	-	-	-	1,377,498
Construction in progress	<u>1,725,884</u>	<u>-</u>	<u>315,264</u>	<u>-</u>	<u>2,041,148</u>
	18,130,153	596,938	315,264	-	19,042,355
Accumulated depreciation	<u>(3,082,326)</u>	<u>(458,902)</u>	<u>(600,784)</u>	<u>-</u>	<u>(4,142,012)</u>
Net capital assets	<u>\$ 15,047,827</u>	<u>\$ 138,036</u>	<u>\$ (285,520)</u>	<u>\$ -</u>	<u>\$ 14,900,343</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 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 \$55,782 for the year ended June 30, 2021 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, 2021, 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



**RECLAMATION DISTRICT 900, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2021

dependent coverage but no survivor benefit. Retiree benefits are paid to employees who have attained age 60 with twenty years of service.

*Funding Policy.* During the year ended June 30, 2020, the District entered into 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 \$144,860 as of June 30, 2021.

**Employees Covered**

As of the June 30, 2021 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 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 year ended June 30, 2021, the District made benefit payments to the health plan provider of \$26,020 on a pay-as you-go basis.

**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, 2021.

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

Actuarial Assumptions:

Discount Rate	6.25%
Inflation	2.5% per annum
Salary Increases	2.75% per annum
Investment rate of Return	6.25%, 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

**RECLAMATION DISTRICT 900, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2021

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.25 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, 2020, measurement date	\$ 326,989	\$ 132,882	\$ 194,107
Changes recognized for the measurement period			
Service cost	19,488	-	19,488
Interest	21,042	31,004	(9,962)
Employer contributions	-	220,127	(220,127)
Administrative expenses	-	(151)	151
Experience (gains) losses	-	-	-
Benefit payments for retiree healthcare	(26,020)	(26,020)	-
Changes in assumptions	9,219	-	9,219
Net change in net OPEB liability	23,729	224,960	(201,231)
Balance as of June 30, 2021, measurement date	\$ 350,718	\$ 357,842	\$ (7,124)

**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, 2021:

	1% Decrease (5.25%)	Current Discount Rate	1% Increase (7.25%)
Net OPEB Liability (Asset)	\$ (32,856)	\$ (7,124)	\$ 40,922

**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, 2021:

**RECLAMATION DISTRICT 900, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2021

	1% Decrease <u>(3.0%)</u>	Current Trend Rate <u>(4.0%)</u>	1% Increase <u>(5.0%)</u>
Net OPEB Liability (Asset)	\$ (47,321)	\$ (7,124)	\$ 43,667

**OPEB Plan Fiduciary Net Position**

The District's Fiduciary Net Position is \$357,842 as the OPEB liability has been formally 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 Expected average remaining Service lifetime (EARSL)
All other amounts	

**OPEB Expense and Deferred Outflows Related to OPEB**

As of June 30, 2021, 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	\$ 4,128	\$ 12,850
Differences between expected and actual experience	2,817	-
Changes in assumptions	<u>25,559</u>	<u>67,707</u>
Balance at June 30, 2021	<u>\$ 32,504</u>	<u>\$ 80,557</u>

RECLAMATION DISTRICT 900, CALIFORNIA

Notes to Financial Statements

Year Ended June 30, 2021

Net OPEB expense for the year ended June 30, 2021 is derived as follows:

	<u>2021</u>
Service cost	\$ 19,488
Interest cost	21,042
Expected return on assets	(14,941)
Administrative expense	151
Recognition of experience gain (loss) deferrals	303
Recognition of assumption change deferrals	(6,249)
Recognition of investment (gain) loss deferrals	<u>(1,837)</u>
Net OPEB expense	<u>\$ 17,957</u>

Net OPEB expense does not include \$26,020 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:

<u>Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense</u>		
<u>Fiscal Year Ending</u> <u>June 30:</u>	<u>Net Deferred Inflows</u> <u>of Resources</u>	<u>Net Deferred Outflows</u> <u>of Resources</u>
2022	\$ 4,340	\$ (12,123)
2023	4,340	(12,123)
2024	4,340	(12,123)
2025	2,964	(12,121)
2026	2,964	(8,910)
Thereafter	<u>13,556</u>	<u>(23,157)</u>
	<u>\$ 32,504</u>	<u>\$ (80,557)</u>

**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 2020-21 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

**RECLAMATION DISTRICT 900, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2021

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. LEASE COMMITMENTS**

The District leases office space and equipment with minimum lease commitments during the next five years as follows:

<u>Fiscal Year Ending June 30:</u>	
2022	\$ 9,193
2023	-
2024	-
2025	-
2026	-

**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, as of and for the year ended June 30, 2021 are as follows:

	<u>2021</u>
<u>Cash receipts:</u>	
Property assessments received	\$ 5,717
Operations and maintenance charges received from City of West Sacramento on behalf of WSAFCA	<u>795,142</u>
Total cash receipts from City of West Sacramento	<u>\$ 800,859</u>
 <u>Cash disbursements:</u>	
Water and sewer charges paid	\$ 603
Other reimbursements and charges paid	<u>63,355</u>
Total cash disbursed to City of West Sacramento	<u>\$ 63,958</u>
 Accounts receivable from the City of West Sacramento	<u>\$ 107,544</u>
Accounts payable to the City of West Sacramento	<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 900, CALIFORNIA**

Notes to Financial Statements

Year Ended June 30, 2021

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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. As of June 30, 2021, the District has recognized a receivable from Reclamation District No. 537 in the amount of \$77,647 due related to the reorganization.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	2021		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Assessments	\$ 2,430,272	\$ 2,475,557	\$ 45,285
Charges for services	730,786	1,025,919	295,133
Federal and state grants	189,000	66,576	(122,424)
Interest	10,000	79,232	69,232
Unrealized gains (losses) on investments	-	(44,118)	(44,118)
Reimbursements and other	<u>9,000</u>	<u>9,667</u>	<u>667</u>
 Total revenues	 <u>3,369,058</u>	 <u>3,612,833</u>	 <u>243,775</u>
<b>EXPENDITURES:</b>			
Flood Protection:			
Operations and maintenance	370,000	355,149	14,850
Labor and related	969,000	872,991	96,009
Administration	260,000	330,241	(70,240)
Repair, replacements, and rehabilitation	<u>878,153</u>	<u>397,819</u>	<u>480,335</u>
 Total expenditures	 <u>2,477,153</u>	 <u>1,956,200</u>	 <u>520,954</u>
 CHANGE IN FUND BALANCE	 891,905	 1,656,633	 (277,179)
 FUND BALANCE, BEGINNING OF YEAR BEFORE MERGER	 6,410,001	 6,410,001	 -
 Merger with annexed portion of Reclamation District No. 537	 <u>-</u>	 <u>842,613</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 7,301,906</u>	 <u>\$ 8,909,247</u>	 <u>\$ (277,179)</u>



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

	2021		Variance - Favorable (Unfavorable)
	Budget	Actual	
<b>OPERATIONS AND MAINTENANCE:</b>			
Facilities:			
Facilities - power	\$ 80,000	\$ 78,142	\$ 1,858
Facilities - fuel	5,000	24,739	(19,739)
Supplies and materials	10,000	-	10,000
Facilities - repairs	10,000	-	10,000
Shop equipment	20,000	-	20,000
Herbicide	60,000	60,570	(570)
Field services	5,000	50,618	(45,618)
Debris and trash disposal	25,000	22,377	2,623
Professional fees:			
Pesticide consultants	10,000	13,219	(3,219)
Engineering	40,000	14,862	25,138
Maintenance and other	5,000	750	4,250
Equipment:			
Fuel	40,000	-	40,000
Repair and servicing	20,000	34,422	(14,422)
Parts and supplies	20,000	43,813	(23,813)
Purchases	10,000	-	10,000
Rental	10,000	11,638	(1,638)
	<u>\$ 370,000</u>	<u>\$ 355,150</u>	<u>\$ 14,850</u>
<b>LABOR AND RELATED:</b>			
Compensation and related:			
Administrative salary and wages	\$ 170,000	\$ 168,361	\$ 1,639
Field salary and wages	350,000	264,096	85,904
Overtime	8,000	-	8,000
Payroll taxes	60,000	33,344	26,656
Medical insurance	75,000	91,152	(16,152)
Dental insurance	6,000	2,963	3,037
Retiree medical	165,000	220,127	(55,127)
Retirement plan	75,000	55,782	19,218
Workers' compensation insurance	50,000	27,573	22,427
Uniforms	5,000	5,055	(55)
Training and licensing	5,000	4,538	462
	<u>\$ 969,000</u>	<u>\$ 872,991</u>	<u>\$ 96,009</u>
<b>ADMINISTRATION:</b>			
Insurance	\$ 55,000	\$ 57,034	\$ (2,034)
Professional fees:			
Professional services - legal	45,000	54,990	(9,990)
Professional services - accounting and payroll	45,000	51,823	(6,823)
Professional services - assessment administration	30,000	31,644	(1,644)
Professional services - COWS shared services	-	29,421	(29,421)
Rent	15,000	15,000	-
Office:			
Office - utilities and janitorial	6,600	9,513	(2,913)
Office- supplies	13,400	11,432	1,968
Office - equipment	10,000	7,721	2,279
Memberships	10,000	10,770	(770)
Permits and fees	25,000	36,227	(11,227)
Other	5,000	14,665	(9,665)
	<u>\$ 260,000</u>	<u>\$ 330,240</u>	<u>\$ (70,240)</u>
<b>REPAIR, REPLACEMENTS, AND REHABILITATION:</b>			
Capital - facilities	\$ 707,449	\$ 347,350	\$ 360,099
Capital - levee related	170,704	50,468	120,236
	<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

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

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Fiscal Year Ended June 30 <sup>1</sup>	<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	N/A	N/A
Contribution in relation to the ADC	\$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 2021 were from the June 30, 2021 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	6.25% 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

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<sup>1</sup> 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**

**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 financial statements of the governmental activities and each major fund of Reclamation District 900, California (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated February 10, 2022.

**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 deficiencies described in the accompanying schedule as item 2021-1 and 2021-2 to be material weaknesses.

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 deficiency 2021-3, described in the accompanying schedule, to be a significant deficiency.

### **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*.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
Walnut Creek, California  
February 10, 2022

## Section II – Financial Statement Findings

### **Finding 2021-1      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, 2021, 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 2021-2 ACCRUAL OF REIMBURSABLE GRANT COSTS (Material Weakness)**

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, 2021.

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

**Finding 2021 -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*