

**RECLAMATION DISTRICT NO. 784
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

RECLAMATION DISTRICT NO. 784
FOR THE YEAR ENDED JUNE 30, 2020
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Reclamation District No. 784
Arboga, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major funds of Reclamation District No. 784 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of June 30, 2020, 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 and with the California State Controller’s Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3 through 6 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021, 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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
May 20, 2021

RECLAMATION DISTRICT NO. 784 MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Reclamation District No. 784's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS – 2020

The District's net position includes land, infrastructure (pump stations, ditches and canals), equipment and cash operating and reserve funds. The District's net position in the government-wide financial statements increased by \$2,722,143 or 18.2%. During the year, the District's revenue was \$6,411,979 and expenses were \$3,689,836

The governmental fund activity reflected an increase in the overall fund balances of \$2,660,568. The District's combined governmental fund revenue was \$5,896,324 and expenditures were \$3,235,756.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Governmental Funds Balance Sheet/Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a long-term view of the District's finances and most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and the changes in it. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

Reporting the District's Funds

Governmental funds – The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can easily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operation. We describe the relationship (or differences) between governmental funds in reconciliation at the bottom of the fund financial statements. The statements have been combined for presentation purposes.

THE DISTRICT AS A WHOLE

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) on the District's governmental activities.

Table 1
Net Position
(in Thousands)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 10,316	\$ 7,932
Capital assets	<u>25,230</u>	<u>25,779</u>
Total Assets	<u>35,546</u>	<u>33,711</u>
Current liabilities	701	1,587
Long-term debt outstanding	1,805	1,805
Other liabilities-Deferred Inflows	<u>15,361</u>	<u>15,361</u>
Total Liabilities	<u>17,867</u>	<u>18,753</u>
Net position:		
Invested in capital assets, net of debt	23,425	23,974
Unrestricted	<u>(5,746)</u>	<u>(9,016)</u>
Total Net Position	<u>\$ 17,679</u>	<u>\$ 14,958</u>

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenue:		
Special assessment and property taxes	\$ 2,828	\$ 805
Review fees/other	10	8
Interest	152	142
Impact fees	1,917	1,162
Urban Levee O&M (TRLIA)	-	1,055
Grants & miscellaneous revenues	1,490	323
Unrealized gains (losses)	<u>15</u>	<u>56</u>
Total Revenue	<u>6,412</u>	<u>3,551</u>
Expenses:		
Salaries and benefits	763	759
Insurance	33	26
Professional fees	374	547
Services & supplies	178	198
Levee, pumps, equipment & ditch maint.	1,456	629
Other	259	583
Depreciation	<u>627</u>	<u>612</u>
Total Expenses	<u>3,690</u>	<u>3,354</u>
Increase/ (Decrease) in Net Position	<u>\$ 2,722</u>	<u>\$ 197</u>

Governmental Activities

The revenues for the District's governmental activities as described in the Statement of Activities, increased by 80.6% (\$2,861,243) while total expenses increased by 10% (\$336,135). The increased levee, pumps, equipment, and ditch maintenance expenses were due to repair, operations, and maintenance work on the urban levee and internal drainage areas. Repair activities also took place on the rural levee through grant funding.

GENERAL FUND BUDGETARY HIGHLIGHTS

Income

Miscellaneous revenues & grants (aside from the TRLIA O & M assessment amounts), plan check fees, and drainage basin impact fees are one-time income items that cannot be anticipated and, therefore, not budgeted. Interest income varies with account balances which vary based on completion of development projects.

Expenditures

Relief well repair and rehabilitation expenses continue to be substantial, as work that was delayed for many years is being accomplished. Equipment maintenance and repair costs were reduced substantially over the year, as well as levee maintenance costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$25,230,343 invested in capital assets (see Table 3).

Table 3
Capital Assets at Year-End
(Net of Depreciation, in Thousands)

	<u>Government Activities</u>	
	2020	2019
Equipment	\$ 240	\$ 317
Pumping plants	9,786	10,093
Building	61	66
Detention ponds	<u>15,143</u>	<u>15,303</u>
Total	<u>\$ 25,230</u>	<u>\$ 25,779</u>

Debt

At the end of fiscal year 2019-2020, the District had liabilities of \$2,505,879 outstanding versus \$3,392,680 in 2019, an decrease of 26% (see Table 4).

Table 4
Outstanding Liabilities at Year-End
(in Thousands)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 606	\$ 177
Accrued Expenses	95	184
Advance Funding Fees	-	1,227
Notes payable	1,805	1,805
Total	<u>\$ 2,506</u>	<u>\$ 3,393</u>

MANAGEMENT ANALYSIS

Management adopted expense strategies to conserve operating funds to create reserve accounts for emergency operations including engineering, legal, permitting, repair, and emergency power bills. Savings were also earmarked for reserve accounts purchase of equipment identified in the initial TRLIA Assessment Engineering Study budgeted by accrual over time. Occasional use of grant program workers allowed management to utilize a fulltime workforce while minimizing taxes, insurance, regulatory and benefit costs.

Except as noted above, next year’s budget categories are very similar to this year’s budget. The District anticipates increased residential growth in the near term.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District office at 1594 Broadway, Arboga, California.

RECLAMATION DISTRICT NO. 784
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2020

	Governmental Funds Balance Sheet				Statement of Net Position
	General	Capital	Total	Adjustments	Total
	Fund	Fund			
ASSETS					
CURRENT ASSETS					
Cash	\$ 269,117	\$ -	\$ 269,117	\$ -	\$ 269,117
Cash in County Investment Pool	5,106,440	4,046,243	9,152,683	-	9,152,683
Accounts Receivable	16,606	-	16,606	-	16,606
Grant Receivable	64,266	-	64,266	515,655 a	579,921
Interest Receivable	47,392	-	47,392	-	47,392
Prepaid Insurance	64,186	-	64,186	-	64,186
Total Current Assets	5,568,007	4,046,243	9,614,250	515,655	10,129,905
NON-CURRENT ASSETS					
Investment in Flood Fight Coalition Assets	-	-	-	186,218 b	186,218
Capital Assets- net	-	-	-	25,230,343 b	25,230,343
Total Non-Current Assets	-	-	-	25,416,561	25,416,561
Total Assets	\$ 5,568,007	\$ 4,046,243	\$ 9,614,250	25,932,216	35,546,466
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Personnel Costs Payable	\$ 15,302	\$ -	\$ 15,302	-	15,302
Accounts Payable	605,553	-	605,553	-	605,553
Compensated Absences	-	-	-	79,924 c	79,924
Total Current Liabilities	620,855	-	620,855	79,924	700,779
LONG-TERM LIABILITIES					
Loans Payable	-	-	-	1,805,100 d	1,805,100
Total Long-Term Liabilities	-	-	-	1,805,100	1,805,100
Total Liabilities	620,855	-	620,855	1,885,024	2,505,879
DEFERRED INFLOWS OF RESOURCES					
Reimbursements Payable	-	4,027,013	4,027,013	-	4,027,013
Deferred Development Fees	-	11,333,921	11,333,921	-	11,333,921
Total Deferred Inflows of Resources	-	15,360,934	15,360,934	-	15,360,934
FUND BALANCES					
Nonspendable	64,186	-	64,186	(64,186)	-
Unassigned	4,882,966	(11,314,691)	(6,431,725)	6,431,725	-
Total Fund Balances	4,947,152	(11,314,691)	(6,367,539)	6,367,539	-
Total Liabilities and Fund Balances	\$ 5,568,007	\$ 4,046,243	\$ 9,614,250		
NET POSITION					
Invested in capital assets, net of related debt and accumulated depreciation				23,425,243	23,425,243
Unrestricted				(5,745,590)	(5,745,590)
Total Net Position				\$ 17,679,653	\$ 17,679,653

a - Revenues received more than sixty days after the fiscal year end are not considered currently available resources and therefore are not reported as revenues in the governmental funds activities.

b - Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.

c - Compensated absences payable applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as a fund liability

d - Loans Payable applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as a fund liability.

RECLAMATION DISTRICT NO. 784
Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities
For the Year Ended June 30, 2020

	General Fund			Adjustments	Statement of
	Unrestricted Fund	Capital Fund	Total		Activities Total
Revenues					
Property Taxes - Secured	\$ 2,410,754	\$ -	\$ 2,410,754	\$ -	\$ 2,410,754
CSA Property Taxes	130,044	-	130,044	-	130,044
Benefit Assessment-Direct	287,238	-	287,238	-	287,238
Impact Fees	-	1,917,294	1,917,294	-	1,917,294
Grants & Miscellaneous Revenue	974,332	-	974,332	515,655 a	1,489,987
Plan Check Review Fees	9,811	-	9,811	-	9,811
Interest Income	84,484	66,989	151,473	-	151,473
Unrealized Gains (Losses)	8,580	6,798	15,378	-	15,378
Total Revenue	<u>3,905,243</u>	<u>1,991,081</u>	<u>5,896,324</u>	<u>515,655</u>	<u>6,411,979</u>
Expenditures					
Salaries, Wages, and Benefits	858,027	-	858,027	(94,561) b	763,466
Engineering	265,987	-	265,987	-	265,987
Professional Fees	107,838	-	107,838	-	107,838
Insurance	32,507	-	32,507	-	32,507
Telecommunications	23,674	-	23,674	-	23,674
Utilities	63,034	-	63,034	-	63,034
Office Supplies & Costs	13,595	-	13,595	-	13,595
Supplies & Tools	27,316	-	27,316	-	27,316
Fuel & Oil	37,060	-	37,060	-	37,060
Equipment Maintenance & Repair	29,348	-	29,348	-	29,348
Pump Maintenance & Repair	194,471	-	194,471	-	194,471
Levee Maintenance & Repair	952,492	-	952,492	-	952,492
Ditch & Canals Repairs	46,227	-	46,227	-	46,227
Vehicle Maintenance & Repair	15,854	-	15,854	-	15,854
Safety Equipment & Training	6,320	-	6,320	-	6,320
Flood Fight Training & Supplies	3,872	-	3,872	-	3,872
Security	46,459	-	46,459	-	46,459
Contract Services	213,718	-	213,718	-	213,718
Meetings and Memberships	11,596	-	11,596	-	11,596
Permits & Fees	12,578	-	12,578	-	12,578
Miscellaneous	189,475	5,971	195,446	-	195,446
Fixed Asset Acquisitions	78,337	-	78,337	(78,337) d	-
Depreciation Expense	-	-	-	626,978 c	626,978
Total Expenditures	<u>3,229,785</u>	<u>5,971</u>	<u>3,235,756</u>	<u>454,080</u>	<u>3,689,836</u>
Excess (Deficiency) of Revenues Over Expenditures:	675,458	1,985,110	2,660,568	61,575	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses:	675,458	1,985,110	2,660,568	61,575	
Change in Net Position					2,722,143
Fund Balances/Net Position, June 30, 2019	4,271,694	(13,299,801)	(9,028,107)	23,985,617	14,957,510
Fund Balances/Net Position, June 30, 2020	<u>\$4,947,152</u>	<u>\$(11,314,691)</u>	<u>\$ (6,367,539)</u>	<u>\$ 24,047,192</u>	<u>\$ 17,679,653</u>

a Receivables collected more than sixty days after fiscal year end are not considered currently available and, therefore, are not reported as a fund asset.

b & c Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

b) Change in Compensated Absences

c) Depreciation Expense

d Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Reclamation District No. 784 is a special district within the County of Yuba governed by an elected, independent five member Board of Directors. Reclamation District No. 784 was established May 6, 1908, under the General Reclamation District Law.

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note. The District has implemented the financial reporting requirements of GASB Statement Nos. 33 and 34. The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resource, and net position for all state and local governments. The District has identified liabilities which should be classified as deferred inflows of resources which are presented on the Statement of Net Position.

Reporting for a component unit can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the District's operations. Blended component units are an extension of the District, so data from these units is combined with data of the District. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the District.

There are no component units of the District which meet the criteria of either the blended or discrete presentation.

The District's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities by governmental type.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted net position.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual: The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budgets and Budgetary Accounting

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 for the ensuing fiscal year.

Unused appropriations for all annually budgeted funds lapse at the end of the year.

Budgeted amounts are the final authorized amounts as revised during the year. Budgeted amounts are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Cash and Investments

For financial statement purposes "cash and cash equivalents" includes all demand, savings accounts, certificates of deposit, or short-term investments with an original maturity of three months or less.

Interest Receivable

Interest receivable represent amounts due from Yuba County that the District has earned or been allocated, but has not received, as of June 30, 2020.

Prepaid Expenses

Prepaid expenses consist of operating expenses for which payment is due in advance and which are expensed when the benefit is received.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventory is expensed as purchased. The amount on hand at June 30, 2019, was not considered significant.

Accumulated Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave which will be paid to employees upon separation from District service. The amount accumulated as of June 30, 2020, was \$79,924.

Use of Estimates

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

Special Assessments

In June 1978, the District's portion of the Yuba County property taxes collected was reduced due to the passage of Proposition 13 to a level which was well below the funding needs of the District. Therefore, a resolution was passed removing the District from the tax rolls and levying a special assessment directly on the residents of the District. Collection and payment to the District of the total amount assessed is guaranteed by the County of Yuba. The collection of any delinquent assessments and any applicable interest or penalties is retained by the County of Yuba.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Useful lives are estimated as follows:

Buildings and Land Improvements	50 years
Pump Stations	30 years
Machinery	7 years

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective for the fiscal year ended June 30, 2004. Infrastructure assets include drainage ditches and holding ponds. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for phase three governments and the District has elected not to retroactively report infrastructure. The District elected to implement the general provisions of GASB Statement No. 34 as of the year ended June 30, 2004.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Inflows

In addition to liabilities, the statement of net position includes 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 a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Net Position

The government-wide activities fund financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all the capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents net position with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

Nonspendable –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

Assets that will never convert to cash, such as prepaid items and inventories of supplies;

Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or

Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

**RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions.

Committed –

Two criteria determine the committed fund balance:

First, use of funds is constrained by limits imposed by the government’s highest level of decision making. The highest level of decision making for the District is the Board of Directors.

Second, removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints. Both commitments and modifications or removal must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

Assigned –

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the District, such as a District finance committee, or an official designated by the District (e.g., a general manager). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of the Board of Directors.	Yes	No
Formal action of the Board is necessary to impose, remove or modify this constraint and formal action has taken place before the end of the reporting period.	Yes	No

The Board of Directors can assign amounts under this category, and may also authorize the General Manager to assign amounts under this category when that decision is consistent with the approved long term financial plan.

Unassigned –

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned or restricted amounts and then unassigned or unrestricted amounts.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: CREDIT RISK, CARRYING AMOUNT, AND MARKET VALUE OF INVESTMENTS

Investments of the District are summarized below. The investments that are presented by specific identifiable investment securities are classified as a credit risk by three categories as follows:

Category 1: Includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name.

Category 2: Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name.

Category 3: Includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

Most cash at June 30, 2020, is pooled for investment purposes and held by Yuba County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County. The Yuba County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District does not own any specific identifiable investments in the pool.

The investments made by the Treasurer are regulated by Article 6, Section 27131, of the California Government Code and by the County's investment policy. Investments are monitored annually by the Treasury Oversight Committee established by the County and by the Board of Supervisors.

State law and the County's investment policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P1 by Moody's Investors Services. State law and the County's investment policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Services. Information regarding categorization of cash and investments held in the Yuba County Treasury can be found in the County of Yuba's financial statements. The carrying amount and fair value of pooled investments as of June 30, 2020, are as follows:

<u>Pooled Investments:</u>	Carrying Amount	Fair Value	Difference
Yuba County	\$ 9,099,379	\$ 9,152,683	\$ 53,304

The difference between the carrying value and the fair value of cash and investments was considered material to the District's financial statements; therefore, an adjustment to fair value was made for GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* compliance. The change in fair market value from the prior year is recorded as Unrealized Gain or Loss.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: CREDIT RISK, CARRYING AMOUNT, AND MARKET VALUE OF INVESTMENTS - Continued

Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk, as defined by FASB Statement of Financial Accounting Standards No. 105, consist principally of cash accounts. The District places its temporary cash with creditworthy, high-quality financial institutions. At June 30, 2018, the District had no funds in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced any losses in these accounts.

NOTE 3: GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets of the District at June 30, 2020:

	Balances June 30, 2019	Additions	Retirements and Adjustments	Balances June 30, 2020
Equipment	\$ 851,898	\$ -	\$ (16,850)	\$ 835,048
Pumping Plants	13,468,917	35,260	-	13,504,177
Buildings	175,681	-	-	175,681
Detention Ponds	<u>17,086,683</u>	<u>45,814</u>	<u>-</u>	<u>17,132,496</u>
 Total Assets at Historical or Estimated Cost	 31,583,179	 81,074	 (16,850)	 31,647,402
 Less Accumulated Depreciation				
Equipment	(534,704)	(74,641)	14,114	(595,231)
Pumping Plants	(3,376,268)	(342,045)	-	(3,718,313)
Buildings	(109,418)	(5,119)	-	(114,537)
Detention Ponds	<u>(1,783,805)</u>	<u>(205,173)</u>	<u>(29,998)</u>	<u>(1,988,978)</u>
 Total Accumulated Depreciation	 <u>(5,804,195)</u>	 <u>(626,978)</u>	 <u>(15,884)</u>	 <u>(6,417,059)</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 25,778,984</u>	 <u>\$ (545,904)</u>	 <u>\$ (32,734)</u>	 <u>\$ 25,230,343</u>

Depreciation expense for the year ended June 30, 2020, was \$626,978

NOTE 4: OPERATING LEASES

The District entered into an operating lease for a copier with lease terms in excess of one year. The agreement does not contain a purchase option. Future minimum lease payments are as follows:

2021	\$ 1,370
2022	1,370
2023	457
Total	<u>\$ 3,197</u>

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: CHANGES IN GENERAL LONG-TERM DEBT

At June 30, 2020, general long-term debt consisted of the following:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
TRLIA Pump #3	\$ 191,680	\$ -	\$ -	\$ 191,680
TRLIA Pump #6	1,583,125	-	-	1,583,125
TRLIA Pump #10 - Pipes	30,295	-	-	30,295
Total	<u>\$ 1,805,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,805,100</u>

Maturities of long-term debt are as follows for the year ending:

<u>June 30th</u>	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	<u>1,805,100</u>
Total	<u>\$ 1,805,100</u>

Other Debts:

- 1) On November 7, 2007 the District signed an agreement with the Three Rivers Levee Improvement Authority (TRLIA) to provide for payments in recognition of TRLIA's reconstruction of Pump Station No. 6. Payments will be made from drainage impact fees collected until the total of such payments is \$1,583,125.
- 2) On January 29, 2008 the District signed an agreement with the TRLIA to provide funds in recognition of TRLIA's construction of Pump Station No. 10 discharge pipe crossing of the Feather Setback Levee.

Payments will be made from drainage impact fees collected until the total of such payments reaches an amount equal to the final bid for the construction of the Pipe Crossing, not to exceed \$537,500. At June 30, 2020, \$240,000 has been paid on this agreement.

At June 30, 2020, the District was holding \$30,295 of drainage impact fees due to TRLIA per this agreement.

- 3) On December 4, 2007 the District signed an agreement with the TRLIA to provide funds in recognition of TRLIA's relocation of Pump Station No. 3. On April 2, 2013, the District approved an amended agreement based on the State of California funding more of the cost share. Payments will be made from drainage impact fees collected until the total of such payments is \$191,680.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6: DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The District's Board has adopted a Defined Contribution Pension Plan which provides retirement and benefits to plan members and beneficiaries. The name of the plan is Reclamation District No. 784 Defined Contribution Plan. The plan is administered by an independent trustee, Lincoln National Life Insurance Company.

The Plan's effective date is April 1, 2019. The Plan year is defined as a calendar year.

Eligibility

To become a participant in the plan, an eligible employee must be employed a minimum of six (6) months, but not exceeding 24 months. If more than 12 months, 100% vesting is required. Service need not be continuous (no minimum hours of service required; mere passage of time is sufficient.)

Plan Contributions

The District's monthly contribution is 10% of the base salary for each eligible employee.

Annual Pension Cost

The District's annual pension costs were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019-2020	\$42,761
2018-2019	\$31,015
2017-2018	\$27,928
2016-2017	\$29,022
2015-2016	\$28,852
2014-2015	\$25,608
2013-2014	\$19,021

The District reserves the right to change retirement plans without prior notice.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster.

During 2019-20, the District contracted with Golden State Risk Management for liability, property, and crime damage. The policy limit is \$50,000,000 per occurrence for general liability. The policy covers Officers and Board of Trustees, Errors and Omissions, Auto Liability and Pollution Liability coverage. There is no aggregate limit on this coverage. Property coverage is all risk, replacement cost, and provides up to \$600,000 per covered loss, including physical damage to vehicles, mobile equipment, boiler, and machinery.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: RISK MANAGEMENT – Continued

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceed insurance coverage for the past seven years.

The District’s group health insurance program is through Anthem Blue Shield.

Workers’ compensation coverage is maintained by paying premiums to the Golden State Risk Management Authority. The premium is calculated based upon accident history and administrative costs.

NOTE 8: DEVELOPERS’ DEPOSITS AND REIMBURSEMENTS

The District acts as a fiduciary for various developers in Reclamation District No. 784. The funds are deposited by various developers to meet their obligation under the Reclamation District No. 784 Master Drainage Plan to ensure that the drainage systems are fully funded and built.

At June 30, 2020, the District was holding the following developers’ fees, deferred fee credits and funds for administration, engineering and contingencies:

Developer Fees	\$4,486,039
Construction Improvements and Deferred Credits	\$8,472,810

The District has been collecting developer deposits for the Master Drainage Plan since fiscal year 2003-2004. During this period of time various developers have transferred their interests in various developments to other developers. The records of which deposits have been utilized are kept by the District but the subsequent developers must rely upon the District’s accounting for these deposits, as previous developers have not shared that information with them. Accordingly, subsequent developers cannot provide third-party verification of the District’s accounting for deposits.

NOTE 9: CONSTRUCTION COMMITMENT

The District is rehabilitating the Levee Patrol Road. The total estimated cost to complete the construction is \$428,616. At June 30, 2020, total payments on the contracts were \$246,212.

NOTE 11: SUBSEQUENT EVENTS

Events subsequent to June 30, 2020 have been evaluated through May 20, 2021, the date at which the District’s audited financial statements were available to be issued. With the exception of the matters below, no other material subsequent events required recognition or additional disclosure in these financial statements.

In August 2020, the District entered into agreements for Horseshoe Levee pipe replacements for \$789,010.

RECLAMATION DISTRICT NO. 784
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11: SUBSEQUENT EVENTS - Continued

On September 11, 2019, the Board of Trustees passed Resolution 2019-09-01 which advised the California Department of Water Resources and the Central Valley Flood Protection Board that the District no longer desires to operate and maintain the rural levees (Units 3B, 5, and 6) and requests the State of California accept the District's rural levees as a State Maintenance Area. DWR is required to conduct an engineering review prior to converting the rural levees to State control. At the time of this report, this issue is ongoing.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. In addition, as of March 19, 2020, Governor Newsom ordered the closure of the physical location of every "non-essential" business for an extended period of time. Although the District is considered essential some staff worked remotely as a precaution.

Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been severely impacted for months as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Future potential impacts may include disruptions to supply lines or restrictions on our employees' ability to work. To date the District has not seen a decrease in revenues or assets. The future effects of these issues are unknown. Management is carefully monitoring the situation and continuously evaluating its options during this time. No adjustments have been made to these financial statements as a result of these uncertainties.

SUPPLEMENTARY INFORMATION

RECLAMATION DISTRICT NO. 784
Statement of Revenues, Expenses, and Change in Fund Balance, Budgeted to Actual
General Fund Unrestricted
For the Year Ended June 30, 2020

	Final Amended Budget	Actual	Variance Over (Under) Budget
Revenues			
Indirect & Direct Assessments	\$ 1,273,000	\$ 2,697,992	\$ 1,424,992
CSA Property Taxes	115,810	130,044	14,234
Urban Levee Operating & Maintenance	1,525,000	-	(1,525,000)
Rental Fees	-	-	-
Interest Income	-	84,484	84,484
Plan Check Review Fees	-	9,811	9,811
Unrealized Gains (Losses)	-	8,580	8,580
Grant and Misc. Revenue	1,237,247	974,332	(262,915)
Total Revenue	<u>4,151,057</u>	<u>3,905,243</u>	<u>(245,814)</u>
Expenditures			
Salaries and Benefits	920,189	858,027	(62,162)
Engineering	104,838	265,987	161,149
Professional Fees	174,437	107,838	(66,599)
Insurance	50,007	32,507	(17,500)
Telecommunications	25,000	23,674	(1,326)
Utilities	166,900	63,034	(103,866)
Office Supplies & Costs	10,100	13,595	3,495
Shop Supplies & Costs	54,000	27,316	(26,684)
Fuel & Oil	74,439	37,060	(37,379)
Equipment Maintenance & Repair	21,250	29,348	8,098
Pump Maintenance & Repair	313,706	194,471	(119,235)
Levee Maintenance & Repair	1,211,644	952,492	(259,152)
Ditch & Canal Repairs	244,235	46,227	(198,008)
Vehicle Maintenance & Repair	21,250	15,854	(5,396)
Safety Equipment & Training	18,000	6,320	(11,680)
Flood Fight Training & Supplies	8,000	3,872	(4,128)
Security	61,000	46,459	(14,541)
Fixed Asset Acquisition	-	78,337	78,337
Contract Services	175,882	213,718	37,836
Meetings & Memberships	22,500	11,596	(10,904)
Permits & Fees	7,500	12,578	5,078
Miscellaneous	-	189,475	189,475
Total Expenditures	<u>3,684,877</u>	<u>3,229,785</u>	<u>(455,092)</u>
Change in Net Position Before Allocation	466,180	675,458	<u>\$ 209,278</u>
Allocation Between Funds	401,000	-	
Change in Net Position	867,180	675,458	
Fund Balance, June 30, 2019	4,271,694	4,271,694	
Fund Balance, June 30, 2020	<u>\$ 6,006,054</u>	<u>\$ 4,947,152</u>	

See the accompanying notes to financial statements

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**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***

Independent Auditor's Report

To the Board of Directors
Reclamation District No. 784
Arboga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Reclamation District No. 784 (RD 784), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the RD 784's basic financial statements, and have issued our report thereon dated May 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RD 784's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RD 784's internal control. Accordingly, we do not express an opinion on the effectiveness of the RD 784's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RD 784'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
May 20, 2021

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Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

May 20, 2021

Board of Directors
Reclamation District No. 784
Arboga, California

Dear Ladies and Gentlemen,

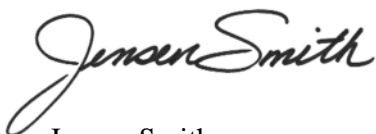
The audit went very smoothly this year. The assistance from the outside accountant in preparing for the audit and the preparation of the financial statements was a great help to us again this year.

In planning and performing our audit of the financial statements of Reclamation District No. 784 (the District) for the year ended June 30, 2020, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We previously reported on the District's internal control in our report dated May 20, 2021. This letter does not affect that report or the report on the financial statements dated May 20, 2021. The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

We would like to thank your staff for their assistance in completing this audit. We wish you continued success in the current year.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California