

RECLAMATION DISTRICT NO. 2074

FINANCIAL REPORT

JUNE 30, 2019

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B O W M A N
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Reclamation District No. 2074
Stockton, California

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of Reclamation District No. 2074 (the District), as of and for the year ended June 30, 2019 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 the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 District'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 District'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 cash basis financial position of the governmental activities and each major fund of Reclamation District No. 2074 as of June 30, 2019 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Bowman & Company, LLP

Stockton, California
January 29, 2020

RECLAMATION DISTRICT NO. 2074
STATEMENT OF NET POSITION - CASH BASIS

June 30, 2019

	<u>Governmental activities</u>
Assets	
Cash and cash equivalents	
Cash in county treasury	\$ 3,042,809
Cash - checking	<u>7,849</u>
Total assets	<u><u>\$ 3,050,658</u></u>
 Net Position	
Unrestricted - board designated	1,833,434
Unrestricted	<u>1,217,224</u>
Total liabilities and net position	<u><u>\$ 3,050,658</u></u>

RECLAMATION DISTRICT NO. 2074

STATEMENT OF ACTIVITIES - CASH BASIS

For the Year Ended June 30, 2019

	<u>Cash disbursements</u>	<u>Operating receipts grants and contributions</u>	<u>Net (disbursements) receipts and changes in net position</u>
Governmental activities			
General and administrative	\$ (160,320)	\$ --	\$ (160,320)
Maintenance and operations	<u>(464,381)</u>	<u>209,432</u>	<u>(254,949)</u>
Net program (disbursements) receipts	(624,701)	209,432	(415,269)
General receipts			
Assessments			749,570
Other income - reimbursements			106,705
Interest			<u>48,970</u>
Total general receipts			<u>905,245</u>
Change in net position			489,976
Net position, beginning of year			<u>2,560,682</u>
Net position, end of year			<u><u>\$ 3,050,658</u></u>

RECLAMATION DISTRICT NO. 2074

GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS

June 30, 2019

	<u>General Fund</u>	<u>Special revenue funds</u>	<u>Total governmental funds</u>
ASSETS			
Cash and cash equivalents			
Cash - checking	\$ 7,849	\$ --	\$ 7,849
Cash in county treasury	<u>1,209,375</u>	<u>1,833,434</u>	<u>3,042,809</u>
 Total assets	 <u>\$ 1,217,224</u>	 <u>\$ 1,833,434</u>	 <u>\$ 3,050,658</u>
 FUND BALANCES			
Committed	\$ --	\$ 1,833,434	\$ 1,833,434
Unassigned	<u>1,217,224</u>	<u>--</u>	<u>1,217,224</u>
 Total fund balances	 <u>\$ 1,217,224</u>	 <u>\$ 1,833,434</u>	 <u>\$ 3,050,658</u>

RECLAMATION DISTRICT NO. 2074

**STATEMENT OF GOVERNMENTAL FUNDS CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS**

As of and for the year ended June 30, 2019

	<u>General Fund</u>	<u>Special revenue</u>	<u>Total governmental funds</u>
Receipts			
Fees and charges	\$ 749,570	\$ --	\$ 749,570
Federal and State assistance	209,432	--	209,432
Other income - reimbursements	106,705	--	106,705
Interest	18,378	30,592	48,970
Total receipts	<u>\$ 1,084,085</u>	<u>\$ 30,592</u>	<u>\$ 1,114,677</u>
Cash Disbursements			
General and administrative:			
Accounting	24,374	--	24,374
Legal	115,950	--	115,950
Dues and publications	51	--	51
Insurance	15,794	--	15,794
Trustee fees	4,051	--	4,051
Miscellaneous	100	--	100
Total general and administrative	<u>\$ 160,320</u>	<u>\$ --</u>	<u>\$ 160,320</u>
Maintenance and operations:			
Engineering	211,529	--	211,529
Levee repairs and maintenance	203,723	--	203,723
Repairs and maintenance	4,066	--	4,066
Rodent control	29,187	--	29,187
Security	15,876	--	15,876
Total maintenance and operations	<u>\$ 464,381</u>	<u>\$ --</u>	<u>\$ 464,381</u>
Other financing sources (uses)			
Operating transfers from other funds	<u>\$ (225,000)</u>	<u>\$ 225,000</u>	<u>\$ --</u>
Excess (deficiency) of receipts over disbursements	\$ 234,384	\$ 255,592	\$ 489,976
Cash basis fund balance, beginning of year	<u>982,840</u>	<u>1,577,842</u>	<u>2,560,682</u>
Cash basis fund balance, end of year	<u><u>\$ 1,217,224</u></u>	<u><u>\$ 1,833,434</u></u>	<u><u>\$ 3,050,658</u></u>

RECLAMATION DISTRICT NO. 2074

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Reclamation District No. 2074 (the District) is presented to assist in understanding the District's financial statements.

Description of the reporting entity

The District is a governmental entity located in the Brookside area of Stockton, California. It is organized by the landowners of the District and governed by an elected three-member Board of Trustees. Expenditures incurred by the District are partially subsidized by various federal, state, and local assistance or reimbursement programs.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position – cash basis and the statement of activities – cash basis) report information on all of the cash receipts and disbursements activity of the primary government.

The statement of activities demonstrates the degree to which cash disbursements of a given function or segment are offset by program cash receipts. Cash disbursements are those that are clearly identifiable with a specific function or segment. Program cash receipts include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other receipts not classified as program receipts are presented as general receipts.

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

Fund financial statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental), which is comprised of three major funds as follows:

General fund (major) – This fund is established to account for resources devoted to financing the general services that the District performs. State assistance and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the District for which a separate fund has not been established.

RECLAMATION DISTRICT NO. 2074

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Cont.)

Special revenue fund (major) – This fund is established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes. Generally, resources accounted for in this fund originate from state and federal programs and developer fees.

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned – Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Trustees, District manager or their designee.

Unassigned – Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Interfund transfers

Interfund transfers represent the flow of assets from one fund to another where repayment is not expected. Such transfers are reported as transfers in and out.

RECLAMATION DISTRICT NO. 2074

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Cont.)

Budgetary accounting

The District does not utilize formal budgetary procedures and is not required to adopt such procedures by law. Accordingly, budgetary comparison information is not required or presented.

Measurement focus, basis of accounting, and financial statement presentation

The District accounts for governmental funds using the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when received and expenditures are recorded when paid.

Estimates

The preparation of the basic financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Related party information

The Board of Trustees is made up of landowners in the District. The Board is elected by all of the landowners within the District represented by the Board.

Fees and charges

Fees and charges are levied at the discretion of the Board of Trustees.

Income tax status

Reclamation District No. 2074 is a governmental entity and not subject to federal and state income taxes.

RECLAMATION DISTRICT NO. 2074

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

Cash and cash equivalents of the District as of June 30, 2019 consisted of the following:

	Carrying amount	Bank balance	Fair value
Deposits - Checking account			
Insured (FDIC)	\$ 5,349	\$ 8,266	
Deposit - Payroll checking account			
Insured (FDIC)	\$ 2,500	\$ 2,500	
Investments in external investment pool			
San Joaquin County Treasurer	\$ 3,042,809		\$ 3,042,809
	\$ 3,042,809		\$ 3,042,809

Cash on deposit with the San Joaquin County Treasurer is invested in a pooled fund maintained by the Treasurer. These funds are pooled with other County deposits for investment purposes by the County Treasurer in accordance with investment policy of the County Treasurer (See County Treasurer’s investment policy at <http://www.sjgov.org/treasurer/treasury.html>). The Pool has established a treasury oversight committed to monitor and review the management of public funds maintained in the Pool.

Participant’s equity in the investment pool is determined by the dollar amount of the participant’s deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District’s shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District’s positions in the Pool. The District’s investment in the Pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents. The District is considered an involuntary participant in the pool as the State of California statutes require certain special districts to maintain their cash surplus with the County Treasurer. The investment pool is not registered with the Securities and Exchange Commission as an investment company.

The District does not maintain a formal investment policy.

Note 4. State Assistance

The District is participating in the California Delta Levee Subventions Program (AB-360). This program provides state financial assistance to local agencies responsible for maintenance of non-project levees in the Sacramento-San Joaquin Delta. In addition, the District is participating in a project funding agreement with the State of California Department of Water Resources.

RECLAMATION DISTRICT NO. 2074

NOTES TO FINANCIAL STATEMENTS

Note 5. Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to insure for risk of loss, the District purchases insurance through commercial insurance carriers. As of June 30, 2019,

<u>Coverage</u>	<u>Limits of Liability</u>
General liability	\$1,000,000/\$3,000,000
Management liability	\$1,000,000/\$3,000,000
Automobile coverage	\$1,000,000/\$3,000,000
General aggregate	\$3,000,000
Excess coverage	\$4,000,000
Worker's compensation	Statutory

Note 6. Governing Board

As of June 30, 2019, the three members of the District's Board of Trustees were as follows:

<u>Trustees</u>	<u>Term Expires</u>
Nelson E. Bahler, President	December 2019
Robert L. Ripken	December 2021
William A. (Bill) Murphy	December 2019

Note 7. Board Designated Funds

The board has designated certain funds held at San Joaquin County for reserve in the event of a future flood fight or other unanticipated event. The total amount of board-designated funds at June 30, 2019 is \$1,833,434.

Note 8. Subsequent Events

Management of the District has evaluated subsequent events through January 29, 2020, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.