

**RECLAMATION DISTRICT NO. 2074**

**FINANCIAL REPORT**

**JUNE 30, 2021**



September 30, 2021

Donnie Hernandez  
Croce, Sanguinetti & Vander Veen  
3520 Brookside Road, Suite 141  
Stockton, CA 95219

**Re: Reclamation District No. 2074**

Dear Donnie:

Enclosed please find one copy of the audit report for Reclamation District No. 2074 for the year ending June 30, 2021. We have transmitted one copy of the report to the State Controller's Office and to the County Auditor-Controller on the District's behalf.

We will also transmit the Special Districts Financial Transactions Report to the State Controller's Office.

Please contact me if any questions arise.

Sincerely,

Nikolas Torres, CPA  
Schwartz, Giannini, Lantsberger and Adamson  
Accountancy Corporation

Enclosures

Philip Lantsberger, CPA  
Robert Gross, CPA  
Nikolas A. Torres, CPA

461 Brookside Road  
Suite E  
Stockton, California 95219  
Ph: 209.474.1084  
Fx: 209.474.0301  
www.sglacpas.com

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position –cash basis	3
Statement of activities –cash basis	4
Fund Financial Statements	
Governmental fund balance sheet –cash basis	5
Statement of cash receipts, disbursements, and changes in governmental fund balance –cash basis	6
NOTES TO FINANCIAL STATEMENTS	7-11



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Reclamation District No. 2074

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, 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.

### **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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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.

Philip Lantsberger, CPA  
Robert Gross, CPA  
Nikolas A. Torres, CPA

3461 Brookside Road  
Suite E  
Stockton, California 95219  
Ph: 209.474.1084  
Fx: 209.474.0301  
www.sglacpas.com

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position - cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which 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 that matter.

## **Other Matters**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Schwartz, Giannini, Lantberger & Adamson*

Stockton, California  
September 21, 2021

**RECLAMATION DISTRICT NO. 2074**  
**Statement of Net Position - Cash Basis**  
**June 30, 2021**

---

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	
Cash in county treasury (Note 3)	\$ 2,991,544
Cash in bank - checking	<u>6,696</u>
Total assets	<u><u>\$ 2,998,240</u></u>
<b>NET POSITION</b>	
Unrestricted - board designated (Note 6)	\$ 2,486,821
Unrestricted	<u>511,419</u>
Total net position	<u><u>\$ 2,998,240</u></u>

The accompanying notes are an integral part of these financial statements.

**RECLAMATION DISTRICT NO. 2074**  
**Statement Of Activities - Cash Basis**  
**For the year ended June 30, 2021**

	Cash Disbursements	Operating Receipts, Grants, and Contributions	Net (Disbursements) Receipts and Changes in Net Position
<b>Governmental activities</b>			
General and administrative	\$ (148,141)	\$ -	\$ (148,141)
Maintenance and operations	(1,542,702)	-	(1,542,702)
Net program (disbursements) receipts	\$ (1,690,843)	\$ -	\$ (1,690,843)
General receipts:			
Fees and charges			\$ 780,195
Interest income			26,648
Reimbursements			23,067
Other - miscellaneous			1,600
Total general receipts			\$ 831,510
Change in net position			\$ (859,333)
Net position - beginning of year			3,857,573
Net position - end of year			\$ 2,998,240

The accompanying notes are an integral part of these financial statements.

**RECLAMATION DISTRICT NO. 2074**  
**Balance Sheet - Governmental Fund - Cash Basis**  
**June 30, 2021**

	General Fund	Special Revenue	Total
<b>ASSETS</b>			
Cash and cash equivalents			
Cash in county treasury (Note 3)	\$ 504,723	\$ 2,486,821	\$ 2,991,544
Cash in bank - checking	4,196	-	4,196
Cash in bank - payroll checking	2,500	-	2,500
Total assets	\$ 511,419	\$ 2,486,821	\$ 2,998,240
<b>FUND BALANCE</b>			
Committed	\$ -	\$ 2,486,821	\$ 2,486,821
Unassigned	511,419	-	511,419
Total fund balance	\$ 511,419	\$ 2,486,821	\$ 2,998,240

The accompanying notes are an integral part of these financial statements.



**RECLAMATION DISTRICT NO. 2074**

**Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Governmental Fund -  
Cash Basis  
For the Year Ending June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
<b>CASH RECEIPTS</b>			
Fees and charges	\$ 780,195	\$ -	\$ 780,195
Other income - reimbursements	23,067	-	23,067
Other - miscellaneous	1,600	-	1,600
Interest	9,193	17,455	26,648
Total receipts	<u>\$ 814,055</u>	<u>\$ 17,455</u>	<u>\$ 831,510</u>
<b>CASH DISBURSEMENTS</b>			
General and administrative:			
Accounting	\$ 26,881	\$ -	\$ 26,881
Dues and county fees	3,276	-	3,276
Insurance	19,715	-	19,715
Legal	83,770	-	83,770
Trustee fees	4,455	-	4,455
Supplies	10,044	-	10,044
Total general and administrative	<u>\$ 148,141</u>	<u>\$ -</u>	<u>\$ 148,141</u>
Maintenance and operations:			
Engineering	\$ 237,562	\$ -	\$ 237,562
Fence repair	12,540	-	12,540
Levee maintenance	1,223,540	-	1,223,540
Miscellaneous	971	-	971
Rodent control	15,680	-	15,680
Security	9,261	-	9,261
Vegetation control	43,148	-	43,148
Total maintenance and operations	<u>\$ 1,542,702</u>	<u>\$ -</u>	<u>\$ 1,542,702</u>
Excess (deficiency) of cash receipts over disbursements	\$ (876,788)	\$ 17,455	\$ (859,333)
Cash basis fund balance - beginning	<u>1,388,207</u>	<u>2,469,366</u>	<u>3,857,573</u>
Cash basis fund balance - ending	<u>\$ 511,419</u>	<u>\$ 2,486,821</u>	<u>\$ 2,998,240</u>

The accompanying notes are an integral part of these financial statements.

# RECLAMATION DISTRICT NO. 2074

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### Nature of business

Reclamation District No. 2074 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.

The 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 is 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 two major funds as follows.

General fund – 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 government for which a separate fund has not been established.

Special revenue fund – 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.

# RECLAMATION DISTRICT NO. 2074

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, fund balance for governmental funds is reported in classification 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 restriction 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. The authority for assigning fund balance is expressed by the Board of Trustees, District Manager or the designee.

**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 general fund can only report a negative unassigned 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.

#### 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.

# RECLAMATION DISTRICT NO. 2074

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### Use of estimates

The preparation of 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.

### NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 21, 2021, the date the financial statements were available to be issued.

### NOTE 3. CASH AND INVESTMENTS

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fair Value</u>
Deposits – Checking Account FDIC insured	<u>\$ 4,196</u>	<u>\$ 4,424</u>	
Deposits – Payroll Checking Account FDIC insured	<u>\$ 2,500</u>	<u>\$ 2,500</u>	
Investment in external investment pool San Joaquin County Treasurer	<u>\$ 2,991,544</u>		<u>\$ 2,991,544</u>

# RECLAMATION DISTRICT NO. 2074

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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 the 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 committee to monitor and review the management of public funds maintained in the Pool.

Participants' equity in the investment pool is determined by the dollar amount of the participant 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 position 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. INSURANCE

The District is covered by the following types of insurance as of June 30, 2021:

<u>Coverage</u>	<u>Limits of Liability</u>
General liability	\$1,000,000/\$10,000,000
Management liability	\$1,000,000/\$10,000,000
Automobile coverage	\$1,000,000
General aggregate	\$10,000,000
Excess coverage	\$1,000,000/10,000,000
Workers' compensation	Statutory

### NOTE 5. GOVERNING BOARD

As of June 30, 2021, the three members of the District's Board of Trustees were as follows:

<u>Trustee</u>	<u>Term Expires</u>
Nelson E. Bahler, President	December 2023
Tim Delaney	December 2023
Robert L. Ripken	December 2021

**RECLAMATION DISTRICT NO. 2074**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. 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, 2021 is \$ 2,486,821.