

RECLAMATION DISTRICT NO. 2044

FINANCIAL REPORT

JUNE 30, 2022

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Statement of net position and governmental funds balance sheet – modified cash basis	3
Statement of activities and governmental funds revenues, expenditures, and changes in fund balances – modified cash basis	4
Notes to financial statements	5-10



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Reclamation District No. 2044

Opinion

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Reclamation District No. 2044 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of Reclamation District No. 2044, as of June 30, 2022 and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Reclamation District No. 2044, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – 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 modified 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

The District has omitted 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 operational, 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 6, 2022

RECLAMATION DISTRICT NO. 2044

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET-
MODIFIED CASH BASIS
JUNE 30, 2022**

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash in county treasury (Note 3)	\$ 1,348	\$ -	\$ 1,348
Cash in bank - checking (Note 3)	41,853	-	41,853
Total assets	<u>\$ 43,201</u>	<u>\$ -</u>	<u>\$ 43,201</u>
LIABILITIES			
Registered warrants payable (Note 6)	\$ -	\$ 225,000	\$ 225,000
Total liabilities	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>
FUND BALANCE			
Unassigned	\$ 43,201	\$ (43,201)	\$ -
Total fund balances	<u>\$ 43,201</u>	<u>\$ (43,201)</u>	<u>\$ -</u>
Total liabilities and fund balances	<u>\$ 43,201</u>		
NET POSITION			
Unrestricted		\$ (181,799)	\$ (181,799)
Total net position		<u>\$ (181,799)</u>	<u>\$ (181,799)</u>

See Notes to Financial Statements.

RECLAMATION DISTRICT NO. 2044

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Landowner assessments (Note 5)	\$ 174,981	\$ -	\$ 174,981
State assistance (Note 4)	70,724	-	70,724
Insurance reimbursement	16,744	-	16,744
Interest income	140	-	140
Total revenues	<u>\$ 262,589</u>	<u>\$ -</u>	<u>\$ 262,589</u>
EXPENDITURES			
Current:			
General & administrative	\$ 44,445	\$ -	\$ 44,445
Maintenance & operations	187,591	-	187,591
Debt service:			
Interest expense	12,818	-	12,818
Total expenditures	<u>\$ 244,854</u>	<u>\$ -</u>	<u>\$ 244,854</u>
Excess of revenues over expenditures	<u>\$ 17,735</u>	<u>\$ -</u>	<u>\$ 17,735</u>
Other financing sources (uses):			
Proceeds from warrant line of credit	\$ 200,000	\$ (200,000)	\$ -
Payments on warrant line of credit	(240,000)	240,000	-
Total other financing sources (uses)	<u>\$ (40,000)</u>	<u>\$ 40,000</u>	<u>\$ -</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ (22,265)	\$ 40,000	\$ 17,735
Modified cash basis fund balance/net position at beginning of year	<u>65,466</u>	<u>(265,000)</u>	<u>(199,534)</u>
Modified cash basis fund balance/net position at end of year	<u><u>\$ 43,201</u></u>	<u><u>\$ (225,000)</u></u>	<u><u>\$ (181,799)</u></u>

See Notes to Financial Statements.

RECLAMATION DISTRICT NO. 2044

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A summary of the District's significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Nature of business

Reclamation District No. 2044 (The District) was organized August 5, 1919, pursuant to Section 50,000 to 53,901 of Division 15 of the Water Code of the State of California entitled "Reclamation Districts." The District is operated by the landowners for the purpose of maintaining the levees and drainage facilities to protect the area within the District boundaries.

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 – modified cash basis and the statement of activities – modified 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 one major fund as follows.

RECLAMATION DISTRICT NO. 2044

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

General fund – This fund is established to account for resources devoted to financing the general services that the District performs. Property assessments 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.

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 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.

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.

RECLAMATION DISTRICT NO. 2044

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments

Assessments are levied at the discretion of the Board of Trustees. Assessments are based on the assessment valuation of land or acreage within the District.

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 modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This method recognizes revenues when received and expenditures when paid, except for registered warrants payable arising from cash transactions.

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.

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.

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.

Income Tax Status

Reclamation District No. 2044 is a governmental entity and not subject to federal and state income taxes.

RECLAMATION DISTRICT NO. 2044

NOTES TO FINANCIAL STATEMENTS

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 6, 2022, 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, 2022 consist of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fair Value</u>
Deposits			
Insured (FDIC)	<u>\$ 41,853</u>	<u>\$ 46,457</u>	
Investment in external investment pool			
San Joaquin County Treasurer	<u>\$ 1,348</u>		<u>\$ 1,348</u>

Bank deposits of \$46,457 are covered by the FDIC insurance. Cash on deposit in commercial accounts is insured by the FDIC up to \$250,000 per bank. 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/departments/ttc/treasury>). 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.

RECLAMATION DISTRICT NO. 2044

NOTES TO FINANCIAL STATEMENTS

NOTE 4. STATE AID - SUBVENTIONS

State assistance is revenue to the Reclamation District from the Department of Water Resources under the Delta Levee Maintenance Subventions Program. Revenues are received one year in arrears.

NOTE 5. LANDOWNER COLLECTIONS

The District's primary source of operating revenue is the assessment of operating fees, which are collected from the District's property owners. The revenue is collected by the County Treasurer's office on behalf of the District.

NOTE 6. REGISTERED WARRANTS

The District's primary source of short-term financing is through registering warrants with Farmers & Merchants Bank. The current interest rate for registered warrants as of June 30, 2022 was 3.25%. As of June 30, 2022 there was \$225,000 in warrants outstanding.

NOTE 7. INSURANCE

The District is covered by the following types of insurance as of June 30, 2022:

<u>Coverage</u>	<u>Limits of Liability</u>
General Liability	\$ 1,000,000/3,000,000
Property – Blanket Limit	\$ 1,414,536
Crime	\$ 250,000
Public Officials and Management	\$ 1,000,000/3,000,000
Excess Liability	\$ 4,000,000
Workers' compensation	Statutory

RECLAMATION DISTRICT NO. 2044

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LISTING OF BOARD OF TRUSTEES

<u>Members</u>	<u>Title</u>	<u>Term Expiration</u>
Henry Foppiano IV	Trustee	December 2025
Skip Foppiano	Trustee	December 2025
John R. Jackson	Trustee	December 2025
Andrew Solari	Trustee	December 2023

Secretary: Alan R. Coon

NOTE 9. CONTINGENCY

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has impacted the District's operations and the operations of the District's customers, suppliers and vendors as a result of quarantines, closures, and travel and logistics restrictions. The District has followed protocols and guidelines issued by federal and state government including expenditures to combat the spread of COVID-19 and implement protocols to prevent the spread. The extent to which the COVID-19 pandemic impacts the District's business in the future, and the results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the continued duration, spread, severity, and impact of the COVID-19 pandemic and the effects of the COVID-19 pandemic on the District's customers, suppliers and vendors including supply chain disruption that has been experienced since the outbreak of the pandemic. Even after the COVID-19 pandemic has subsided, the District may continue to experience adverse impacts to its business as a result of the negative impact of COVID-19 on the customers, suppliers and vendors of the District.