

RECLAMATION DISTRICT NO. 1600

Report on Audits
Years Ended June 30, 2020 and 2019

RECLAMATION DISTRICT NO. 1600

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Independent Auditor's Report

To the Board of Trustees
Reclamation District No. 1600
Woodland, California

We have audited the accompanying financial statements of the governmental activities of Reclamation District No. 1600 as of and for the years ended June 30, 2020 and 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 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. 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.

To the Board of Trustees
Reclamation District No. 1600
Woodland, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reclamation District No. 1600 as of June 30, 2020 and 2019, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has not presented management's discussion and analysis, and the budgetary comparison schedule, that governmental 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.

Perry, Bunch & Johnston, Inc.

Woodland, California
May 31, 2023

RECLAMATION DISTRICT NO. 1600

STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEETS

June 30, 2020

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|---|-------------------------|--------------------|--------------------------------------|
| ASSETS: | | | |
| Cash | \$ 60,743 | \$ - | \$ 60,743 |
| Prepaid expenses | - | 2,320 | 2,320 |
| Capital assets, net of accumulated depreciation | - | 94,977 | 94,977 |
| Total Assets | <u>\$ 60,743</u> | <u>\$ 97,297</u> | <u>\$ 158,040</u> |
| LIABILITIES: | | | |
| Accounts payable | \$ 55,568 | \$ - | \$ 55,568 |
| Due to related parties | 725 | - | 725 |
| Total Liabilities | <u>56,293</u> | <u>-</u> | <u>56,293</u> |
| FUND BALANCE/NET POSITION: | | | |
| Fund balance: | | | |
| Unreserved | <u>4,450</u> | <u>(4,450)</u> | <u>-</u> |
| Total Fund Balance | <u>4,450</u> | <u>(4,450)</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 60,743</u> | | |
| Net position: | | | |
| Invested in capital assets | | 94,977 | 94,977 |
| Unrestricted | | <u>6,770</u> | <u>6,770</u> |
| Total Net Position | | <u>101,747</u> | <u>101,747</u> |
| Total Liabilities and Net Position | | <u>\$ 97,297</u> | <u>\$ 158,040</u> |

RECLAMATION DISTRICT NO. 1600

STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEETS

June 30, 2019

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|---|-------------------------|--------------------|--------------------------------------|
| ASSETS: | | | |
| Cash | \$ 72,642 | \$ - | \$ 72,642 |
| Prepaid expenses | - | 2,086 | 2,086 |
| Capital assets, net of accumulated depreciation | - | 99,302 | 99,302 |
| Total Assets | <u>\$ 72,642</u> | <u>\$ 101,388</u> | <u>\$ 174,030</u> |
| LIABILITIES: | | | |
| Accounts payable | \$ 2,177 | \$ - | \$ 2,177 |
| Due to related parties | 311 | - | 311 |
| Total Liabilities | <u>2,488</u> | <u>-</u> | <u>2,488</u> |
| FUND BALANCE/NET POSITION: | | | |
| Fund balance: | | | |
| Unreserved | <u>70,154</u> | <u>(70,154)</u> | <u>-</u> |
| Total Fund Balance | <u>70,154</u> | <u>(70,154)</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 72,642</u> | | |
| Net position: | | | |
| Invested in capital assets | | 99,302 | 99,302 |
| Unrestricted | | <u>72,240</u> | <u>72,240</u> |
| Total Net Position | | <u>171,542</u> | <u>171,542</u> |
| Total Liabilities and Net Position | | <u>\$ 101,388</u> | <u>\$ 174,030</u> |

RECLAMATION DISTRICT NO. 1600

**STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

Year Ended June 30, 2020

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---|-------------------------|--------------------|------------------------------------|
| REVENUES: | | | |
| Assessments | \$ 130,867 | \$ - | \$ 130,867 |
| Disaster relief revenue | 67,506 | - | 67,506 |
| Interest income | 2,748 | - | 2,748 |
| | <u>201,121</u> | <u>-</u> | <u>201,121</u> |
| Total Revenues | | | |
| | <u>201,121</u> | <u>-</u> | <u>201,121</u> |
| EXPENDITURES/EXPENSES: | | | |
| Depreciation | - | 4,325 | 4,325 |
| Insurance | 8,140 | (234) | 7,906 |
| Memberships | 5,812 | - | 5,812 |
| Payroll - Taxes | 2,046 | - | 2,046 |
| Payroll - Wages | 25,192 | - | 25,192 |
| Professional fees | 79,385 | - | 79,385 |
| Repairs and maintenance | 141,829 | - | 141,829 |
| Trustee fees | 3,000 | - | 3,000 |
| Utilities | 1,421 | - | 1,421 |
| | <u>266,825</u> | <u>4,091</u> | <u>270,916</u> |
| Total Expenditures/Expenses | | | |
| | <u>266,825</u> | <u>4,091</u> | <u>270,916</u> |
| Change in Fund Balance/Net Position | (65,704) | <u>\$ (4,091)</u> | (69,795) |
| Fund Balance/Net Position, Beginning of Year | <u>70,154</u> | | <u>171,542</u> |
| Fund Balance/Net Position, End of Year | <u>\$ 4,450</u> | | <u>\$ 101,747</u> |

RECLAMATION DISTRICT NO. 1600

**STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

Year Ended June 30, 2019

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---|-------------------------|--------------------|------------------------------------|
| REVENUES: | | | |
| Assessments | \$ 133,013 | \$ - | \$ 133,013 |
| Disaster relief revenue | 143,300 | (143,300) | - |
| Interest income | 2,247 | - | 2,247 |
| Total Revenues | <u>278,560</u> | <u>(143,300)</u> | <u>135,260</u> |
| EXPENDITURES/EXPENSES: | | | |
| Depreciation | - | 6,593 | 6,593 |
| Insurance | 7,179 | 245 | 7,424 |
| Memberships | 5,773 | - | 5,773 |
| Payroll - Taxes | 1,295 | - | 1,295 |
| Payroll - Wages | 15,000 | - | 15,000 |
| Professional fees | 18,041 | - | 18,041 |
| Repairs and maintenance | 74,792 | - | 74,792 |
| Miscellaneous | 454 | - | 454 |
| Trustee fees | 1,800 | - | 1,800 |
| Utilities | 26,301 | - | 26,301 |
| Debt service: | | | |
| Principal | 94,390 | (94,390) | - |
| Interest | 1,635 | - | 1,635 |
| Total Expenditures/Expenses | <u>246,660</u> | <u>(87,552)</u> | <u>159,108</u> |
| Change in Fund Balance/Net Position | 31,900 | <u>\$ (55,748)</u> | (23,848) |
| Fund Balance/Net Position, Beginning of Year | <u>38,254</u> | | <u>195,390</u> |
| Fund Balance/Net Position, End of Year | <u>\$ 70,154</u> | | <u>\$ 171,542</u> |

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FINANCIAL REPORTING ENTITY:

Reclamation District No. 1600 (District) was formed to provide levee maintenance and drainage services to the area under its jurisdiction. Landowners within the area pay an annual assessment to the District.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all activities and functions that comprise the District. The District has no component units. Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the component unit. There are no organizations that fit these criteria. The District is therefore financially accountable solely for its own activities.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District uses a single general fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The single general fund utilized by the District is a governmental fund. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance.

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all activities of the District. The District is a special purpose entity engaged in a single governmental program. The District has no fiduciary funds or component units that are fiduciary in nature.

Property tax assessments levied upon landowners located within District boundaries are the primary revenue source of the District. All revenue of the District, including assessment revenue, is considered to be general revenues. The District has no program revenue. Direct expenses are those that are clearly identifiable with a specific function. As a single purpose entity, all expenses of the District are considered to be direct expenses.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied.

RECLAMATION DISTRICT NO. 1600

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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. The District had no restricted resources at year-end for all fiscal years presented.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS:

Capital assets are defined by the District as assets with an initial, individual cost of more than \$750. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

| <u>Description</u> | <u>Estimated Useful Life</u> |
|-----------------------------|------------------------------|
| Structures and improvements | 50 years |
| Pumps | 25 years |

Depreciation expense for fiscal years ended June 30, 2020 and 2019 was \$4,325 and \$6,593, respectively.

ASSESSMENTS:

Property tax assessments are based on the assessed value of parcels of land located within the District's boundaries. Property tax assessments are called in June of each year for collection from landowners on December 1. Assessments are considered delinquent on January 31. It is the policy of the District to place a lien on the property of delinquent landowners upon determining that the assessment will not be timely collected.

INCOME TAX:

The District is exempt from federal and state income taxes.

NOTE 2 - CASH:

CUSTODIAL CREDIT RISK:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE 2 - CASH: (Continued)

CUSTODIAL CREDIT RISK: (Continued)

The District maintains cash balances with financial institutions in accordance with California Government Code. The District has not formally adopted its own deposit and investment policies that limit the District's allowable investments or deposits and that address custodial credit risk. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

DEPOSIT WITH YOLO COUNTY TREASURER:

The District deposits its cash in the Yolo County Treasury. Its total deposits with the County at June 30, 2020 and 2019 were \$60,743 and \$72,642, respectively. Funds deposited with the County are part of an investment pool that is managed by the County Treasurer. The District's equity in the County's investment pool is determined by the dollar amount of its deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Accrued interest and realized and unrealized gains, net of expenses, are apportioned to the District each quarter. Income from the County's pooled investments is allocated to the District based on the District's average daily cash balance for each quarter in relationship to the total of the pooled cash and investments.

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6, Section 27131 of the California Government Code. The Board of Supervisors reviews and approves the investment policy annually. The oversight committee reviews investment activity and results quarterly. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual costs, and fair value.

See Yolo County's Comprehensive Annual Financial Report (CAFR) for more details regarding the County's investment pool, including its investment types, investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

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RECLAMATION DISTRICT NO. 1600

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE 3 - CAPITAL ASSETS:

| | <u>Balance at July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2020</u> |
|---|------------------------------------|------------------|------------------|-------------------------------------|
| Structures and improvements | \$ 111,958 | \$ - | \$ - | \$ 111,958 |
| Pumps | 101,428 | - | - | 101,428 |
| Total Capital Assets | <u>213,386</u> | <u>-</u> | <u>-</u> | <u>213,386</u> |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | 38,332 | 2,536 | - | 40,868 |
| Pumps | 75,752 | 1,789 | - | 77,541 |
| Total Accumulated Depreciation | <u>114,084</u> | <u>4,325</u> | <u>-</u> | <u>118,409</u> |
| Total Capital Assets - Net of Depreciation | <u>\$ 99,302</u> | | | <u>\$ 94,977</u> |
| | <u>Balance at July 1, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2019</u> |
| Structures and improvements | \$ 111,958 | \$ - | \$ - | \$ 111,958 |
| Pumps | 101,428 | - | - | 101,428 |
| Total Capital Assets | <u>213,386</u> | <u>-</u> | <u>-</u> | <u>213,386</u> |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | 35,796 | 2,536 | - | 38,332 |
| Pumps | 71,695 | 4,057 | - | 75,752 |
| Total Accumulated Depreciation | <u>107,491</u> | <u>6,593</u> | <u>-</u> | <u>114,084</u> |
| Total Capital Assets - Net of Depreciation | <u>\$ 105,895</u> | | | <u>\$ 99,302</u> |

NOTE 4 - LONG-TERM LIABILITIES:

Long-term liability activity for the fiscal year ended June 30, 2019, is as follows:

| | <u>Balance at 7/1/2018</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at 6/30/2019</u> | <u>Due Within One Year</u> |
|---------------|--------------------------------|------------------|--------------------|---------------------------------|--------------------------------|
| Loans payable | \$ 94,390 | \$ - | \$ 94,390 | \$ - | \$ - |

In July 2017, the District entered into a commercial loan agreement with First Northern Bank to pay vendors for the expenses incurred for the 2017 flood damages while the District awaited FEMA reimbursements. The district's loan was originally for 12 months; however, in July 2018 the District received an extension on the loan maturity to elongate the due date to September 2018. The total advance on the loan was \$146,395, which includes an interest rate of 5 percent. Monthly interest payments were due from the start of the loan with the option to pay off the principle balance any time within the loan term. The loan was paid off during the fiscal year ended June 30, 2019.

RECLAMATION DISTRICT NO. 1600

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE 5 - RELATED PARTY TRANSACTIONS:

Beginning in late 2010, the District began employing Kyle Lang, son of District Trustee Kent Lang, to provide maintenance services. His wages were \$25,192 and \$15,000 for 2020 and 2019. Additionally, the District paid \$10,486 and \$4,572 during fiscal years ended June 30, 2020 and 2019, respectively, for services provided by a law firm in which the District Secretary is a partner. At June 30, 2020 and 2019, amounts due to related parties totaled \$725 and \$311, respectively.

NOTE 6 - RISK MANAGEMENT:

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. These risks are provided for through the purchase of commercial insurance including coverage for property, general liability and management liability.

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements that exceeded insurance coverage for the past five years.

NOTE 7 - RECONCILIATION TO GOVERNMENT-WIDE STATEMENTS:

Amounts reported for governmental activities in the statements of net position are different because:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Total Fund Balance - General Fund | \$ 4,450 | \$ 70,154 |
| Prepaid expenses - Payments for insurance and memberships are expensed entirely in the period paid for governmental funds. In the statements of net position, payments for insurance and memberships are recorded as an asset and expensed in the period of coverage. | 2,320 | 2,086 |
| Capital assets - Governmental funds report capital outlays as expenditures. However, in the statements of net position, capital assets are capitalized and depreciated over their estimated useful lives. | <u>94,977</u> | <u>99,302</u> |
| Net Position Of Governmental Activities | <u>\$ 101,747</u> | <u>\$ 171,542</u> |

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RECLAMATION DISTRICT NO. 1600

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE 7 - RECONCILIATION TO GOVERNMENT-WIDE STATEMENTS: (Continued)

Amounts reported for governmental activities in the statements of net position are different because:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| Net Change In Fund Balance - General Fund | \$ (65,704) | \$ 31,900 |
| Assessments and other revenues - Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | - | (143,300) |
| Depreciation - In the statements of activities, depreciation expense is recorded; whereas, in governmental funds, the costs of capital outlay have been expensed as incurred. | (4,325) | (6,593) |
| Insurance and memberships - Payments for insurance and memberships are expensed entirely in the period paid for governmental funds. In the statement of activities, payments for insurance and memberships are expensed in the period of coverage. | 234 | (245) |
| Debt service - Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statements of activities. | - | 94,390 |
| Change in Net Position of Governmental Activities | <u>\$ (69,795)</u> | <u>\$ (23,848)</u> |

NOTE 8 - ECONOMIC DEPENDENCY:

The District receives a significant amount of revenue from three landowners. During the fiscal years ended June 30, 2020 and 2019, three landowners accounted for approximately 74% percent of total assessments for each year.

NOTE 9 - JOINT VENTURE:

The District participates in a joint venture under joint powers agreements with Yolo Subbasin Groundwater Agency (YSGA). The relationship between the District and the JPA are such that the JPA is not a component unit of the District for financial reporting purposes.

In June 2017, the District joined the newly formed Yolo Subbasin Groundwater Agency, which operates in accordance with a Joint Exercise of Power Agreement between the District, 17 other local agencies located in the Yolo Subbasin of the Sacramento Valley Groundwater Basin and a the Yocha Dehe Wintun Nation. The Agency was established to be the Groundwater Sustainability Agency for the Subbasin to coordinate and administer compliance with the State of California Sustainable Groundwater Management Act (SGMA). The JPAs are governed by a board consisting of a representative from each member district. The JPA is audited on an annual basis. Audited financial statements can be obtained by YSGA's website at www.yologroundwater.org.

NOTE 10 - SUBSEQUENT EVENTS:

Management has considered subsequent events for disclosure in the financial statements through May 31, 2023, which represents the date the financial statements were available to be issued.