

RECLAMATION DISTRICT NO. 799

FINANCIAL REPORT

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Reclamation District No. 799
Bethel Island, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Reclamation District No. 799 (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 accounting principles generally accepted in the United States; 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.

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 financial position of the governmental activities and each major fund of Reclamation District No. 799 as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Bowman & Company, LLP

Stockton, California
January 30, 2020

RECLAMATION DISTRICT NO. 799

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 217,747
Cash and cash equivalents - restricted	428,960
Accounts receivable	198,927
Total current assets	<u>845,634</u>
Capital Assets , net of accumulated depreciation of \$90,991	<u>386,852</u>
Total assets	<u><u>1,232,486</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	1,144
Accrued payroll liabilities	10,816
Advanced payments	71,250
Total current liabilities	<u>83,210</u>
Net Position	
Net investment in capital assets	386,852
Restricted	428,960
Unrestricted	333,464
Total net position	<u>1,149,276</u>
Total liabilities and net position	<u><u>\$ 1,232,486</u></u>

RECLAMATION DISTRICT NO. 799

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

		Program cash receipts		
	Cash	Charges	Operating	Net (disbursements)
	disbursements	for	grants and	receipts and changes
		services	contributions	in net position
Governmental activities				
Operations	\$ 845,486	\$ 6,860	\$ 348,172	\$ (490,454)
Net program (disbursements) receipts				(490,454)
General receipts				
Assessments				528,161
Other income				34,280
Interest				3,348
Total general receipts				565,789
Change in net position				75,335
Net position, beginning of year, as previously stated				1,051,388
Capitalization of fixed assets				27,666
Net revenue adjustments				5,098
Recognition of payroll accruals				(10,211)
Net position, beginning of year, as restated				1,073,941
Net position, end of year				\$ 1,149,276

RECLAMATION DISTRICT NO. 799
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2019

	<u>General Fund</u>	<u>Special revenue funds</u>		<u>Total governmental funds</u>
		<u>State</u>	<u>Shea Homes</u>	
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 217,747	\$ --	\$ --	\$ 217,747
Restricted	45,000	26,257	357,703	428,960
	<u>262,747</u>	<u>26,257</u>	<u>357,703</u>	<u>646,707</u>
Accounts receivable	<u>24,927</u>	--	--	<u>24,927</u>
Total assets	<u><u>287,674</u></u>	<u><u>26,257</u></u>	<u><u>\$ 357,703</u></u>	<u><u>671,634</u></u>
 LIABILITIES AND FUND BALANCES				
Accounts payable	1,144	--	--	1,144
Accrued payroll liabilities	10,816	--	--	10,816
Advanced payments	26,250	--	--	26,250
Total liabilities	<u>38,210</u>	<u>--</u>	<u>--</u>	<u>38,210</u>
Restricted	45,000	26,257	357,703	428,960
Unassigned	<u>204,464</u>	--	--	<u>204,464</u>
Total fund balances	<u>249,464</u>	<u>26,257</u>	<u>357,703</u>	<u>633,424</u>
Total liabilities and fund balances	<u><u>\$ 287,674</u></u>	<u><u>\$ 26,257</u></u>	<u><u>\$ 357,703</u></u>	<u><u>\$ 671,634</u></u>

RECLAMATION DISTRICT NO. 799

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

As of and for the year ended June 30, 2019

	General Fund	Special revenue funds		Total governmental funds
		State	Shea Homes	
Receipts				
Assessments	\$ 444,518	\$ --	\$ 83,643	\$ 528,161
Reimbursements	286,172	--	--	286,172
Permits	6,860	--	--	6,860
Other income	79,280	--	--	79,280
Interest	2,837	113	398	3,348
Total receipts	<u>819,667</u>	<u>113</u>	<u>84,041</u>	<u>903,821</u>
Disbursements				
Capital outlay	229,850	--	--	229,850
Engineering	215,148	--	--	215,148
Levee repairs and maintenance	187,127	--	--	187,127
Salaries, wages and benefits	133,123	--	--	133,123
Utilities	48,089	--	--	48,089
Equipment maintenance	31,587	--	--	31,587
Equipment rent	28,993	--	--	28,993
Insurance	28,719	--	--	28,719
Fuel	25,094	--	--	25,094
Legal and accounting	23,694	--	--	23,694
Contract services	19,602	--	--	19,602
Rent	7,200	--	--	7,200
Office expense	5,484	--	--	5,484
Dues and publications	3,104	--	--	3,104
Supplies	2,657	--	--	2,657
Miscellaneous	2,483	--	--	2,483
Telephone	2,469	--	--	2,469
Total disbursements	<u>994,423</u>	<u>--</u>	<u>--</u>	<u>994,423</u>
Excess (deficiency) of receipts over disbursements	<u>(174,756)</u>	<u>113</u>	<u>84,041</u>	<u>(90,602)</u>

RECLAMATION DISTRICT NO. 799

**STATEMENT OF GOVERNMENTAL FUNDS CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
(Cont.)**

As of and for the year ended June 30, 2019

	<u>General Fund</u>	<u>Special revenue funds</u>		<u>Total governmental funds</u>
		<u>State</u>	<u>Shea Homes</u>	
Other financing sources (uses)				
Transfers in	78,528	265,039	25,000	368,567
Transfers out	(5,000)	(338,567)	(25,000)	(368,567)
Total other financing sources and uses	<u>73,528</u>	<u>(73,528)</u>	<u>--</u>	<u>--</u>
Modified cash basis fund balance, beginning of year	467,805	99,672	273,662	841,139
Change in basis of accounting	<u>(117,113)</u>	<u>--</u>	<u>--</u>	<u>(117,113)</u>
Accrual basis fund balance, beginning of year	<u>350,692</u>	<u>99,672</u>	<u>273,662</u>	<u>724,026</u>
Fund balance end of year	<u>\$ 249,464</u>	<u>\$ 26,257</u>	<u>\$ 357,703</u>	<u>\$ 633,424</u>

RECLAMATION DISTRICT NO. 799

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

As of and for the year ended June 30, 2019

Total Fund Balance (Fund)	\$ 633,424
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in government funds	477,843
Capital assets accumulated depreciation is not reported in governmental funds	(90,991)
Long term advances not available in the current period and therefore are not reported in the governmental funds	20,000
Receivables for revenue not available is not reported in governmental funds	174,000
Cash receipts for prior and future periods are reported in governmental funds	(65,000)
Net Position of Government Activities	<u><u>\$ 1,149,276</u></u>

RECLAMATION DISTRICT NO. 799

**RECONCILIATION OF THE STATEMENT OF
GOVERNMENTAL FUNDS CASH RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

As of and for the year ended June 30, 2019

Net Change in Fund Balance (Fund)	\$ (90,602)
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the statement of activities.	165,607
Governmental funds report principal payment as expenditures; however, they reduce outstanding loan balance.	35,040
Governmental funds report cash receipts in the period available; however, accrued and deferred in the period earned.	17,000
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(51,710)
Change in Position of Government Activities	<u>\$ 75,335</u>

RECLAMATION DISTRICT NO. 799

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Reclamation District No. 799 (the District) is presented to assist in understanding the District's financial statements.

Description of the reporting entity

The District was formed on July 23, 1909, under Sections 50000 et. seq. of Division 15 of the California State Water Code to provide drainage, irrigation and complete reclamation of lands within District boundaries. It is governed by a five-member board of trustees, each elected by the landowners to a four-year term.

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 and the statement of activities) report information on all of the cash receipts and disbursements activity with the addition of capital asset and long-term debt transactions recorded in accordance with accounting principles generally accepted in the United States of America, 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. 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.

RECLAMATION DISTRICT NO. 799

NOTES TO FINANCIAL STATEMENTS

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

State 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.

Shea Homes fund (major) – This fund is established to account for proceeds from special assessments that are legally restricted to expenditures for specific purpose as described in the Summer Lake Development special assessment agreement.

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.

RECLAMATION DISTRICT NO. 799

NOTES TO FINANCIAL STATEMENTS

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

Measurement focus, basis of accounting, and financial statement presentation

The financial statements are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

During the prior year, the District utilized the modified cash basis of accounting. For the year beginning July 1, 2018, the District adopted the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Beginning net position and beginning fund balance have each been adjusted by \$117,113 for the change in basis of accounting.

Capital assets:

Capital assets are stated at cost. Major additions are capitalized and repair and maintenance costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Vehicles and Equipment	7 years
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The district does not maintain capitalization policy.

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.

Demand warrants

The District is authorized under the California State Water Code to issue demand warrants.

Assessments

Assessments are levied at the discretion of the Board of Trustees.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of June 30, 2019, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLAMATION DISTRICT NO. 799

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			
Insured (FDIC)	\$ 429,526	\$ 349,457	
Investments in external investment pool			
Contra Costa County Treasurer	\$ 127,886		\$ 127,886
California Local Agency Investment Fund	85,720		85,720
	\$ 213,606		\$ 213,606

Cash on deposit in commercial accounts is insured by the FDIC. 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% 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% of the secured public deposits.

Cash held by the Contra Costa County Treasury is 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.co.contra-costa.ca.us/>). However, the District receives no investment income. 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. The District’s investment in the Pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents.

Although the District did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the District does have an investment in the California Local Agency Investment Fund (LAIF) in the amount of \$85,720. Investments in LAIF are invested in accordance with the investment policy of the State Treasurer for LAIF accounts (see State Treasurer’s investment policy for LAIF accounts and separately issued financial reports for LAIF at <http://www.treasurer.ca.gov/pmia-laif/pmia.asp>). The total amount invested by all public agencies in LAIF is \$105,739,564,676 of which 1.77% is invested in structured notes and asset asset-backed securities. Included in LAIF’s investment portfolio are United States Treasury and federal agency securities, International Bank for Reconstruction and Development federal agency floating rate debentures, time deposits, bank notes, certificates of deposit, commercial paper, corporate floaters and bonds, and California.

RECLAMATION DISTRICT NO. 799

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents (Cont.)

Assembly Bill 55 and State of California General Fund Loans. Participants equity in LAIF 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 investment balances. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, 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 does not maintain a formal investment policy.

Note 3. Note Payable

As of June 30, 2019 the long term note payable with Deere Credit, Inc. was paid down to zero.

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.

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, the District's insurance coverage includes general liability insurance with liability limits of \$3,000,000 per occurrence and \$6,000,000 in the aggregate.

RECLAMATION DISTRICT NO. 799
NOTES TO FINANCIAL STATEMENTS

Note 6. Governing Board

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

Trustee	Term expires
Jim Price	November 2021
Walter Pierce	November 2021
Arthur John Hansen	November 2021
Richard Kent	November 2019
Karla Fratus *	November 2019

* Resigned as of June 25, 2019 and on August 22, 2019 Richard Kraemer filled the vacancy for the remaining term.

Note 7. Contingencies

The District is involved in litigation arising in the ordinary course of its operations that, in the opinion of management, will not have a material effect on the District's results of operations.

Note 8. Subsequent Events

Management of the District has evaluated subsequent events through January 30, 2020, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.