

RECLAMATION DISTRICT NO. 2059

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Reclamation District No. 2059

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Reclamation District No. 2059 (the District) as of and for the year ended June 30, 2023, 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 modified cash basis of accounting described in Note 1; this includes 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.

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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and the major funds of the District as of June 30, 2023, and the respective changes in financial position – modified 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 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 that matter.

Other Matters

Management has not presented Management’s Discussion and Analysis 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 consider 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, Santberger & Adamson

Stockton, California
July 22, 2024

RECLAMATION DISTRICT NO. 2059
Statement of Net Position - Modified Cash Basis
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	
Cash in county treasury (Note 3)	\$ 54,463
Cash in bank	<u>74,120</u>
Total assets	<u>128,583</u>
LIABILITIES	
Registered warrants payable (Note 9)	<u>684,354</u>
Total liabilities	<u>684,354</u>
NET POSITION	
Restricted for projects (Note 10)	41,175
Unrestricted	<u>(596,946)</u>
Total net position	<u><u>\$ (555,771)</u></u>

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

RECLAMATION DISTRICT NO. 2059
Statement Of Activities - Modified Cash Basis
For the year ended June 30, 2023

	Cash Disbursements	Operating Receipts, Grants, and Contributions	Net (Disbursements) Receipts and Changes in Net Position
Governmental activities			
General and administrative	\$ (253,088)	\$ -	\$ (253,088)
Maintenance and operations	(926,132)	110,295	(815,837)
Net program (disbursements) receipts	(1,179,220)	110,295	(1,068,925)
General receipts:			
Assessments			180,716
Permits and fees			50,799
Total general receipts			231,515
Change in net position			(837,410)
Net position - beginning of year			281,639
Net position - end of year			\$ (555,771)

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

RECLAMATION DISTRICT NO. 2059
Governmental Fund Balance Sheet - Modified Cash Basis
June 30, 2023

	General Fund	Special Revenue	Total
ASSETS			
Cash and cash equivalents			
Cash in county treasury (Note 3)	\$ 54,463	\$ -	\$ 54,463
Cash in bank	32,945	41,175	74,120
Total assets	\$ 87,408	\$ 41,175	\$ 128,583
FUND BALANCE			
Restricted	\$ -	\$ 41,175	\$ 41,175
Unassigned	87,408	-	87,408
Total fund balance	\$ 87,408	\$ 41,175	\$ 128,583

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

RECLAMATION DISTRICT NO. 2059
Reconciliation of the Governmental Fund - Balance Sheet to the Statement of Net Position -
Modified Cash Basis
June 30, 2023

Fund balance - governmental fund	\$ 128,583
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(684,354)</u>
Net position of governmental activities	<u><u>\$ (555,771)</u></u>

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

RECLAMATION DISTRICT NO. 2059

**Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Governmental Fund -
Modified Cash Basis
For the Year Ended June 30, 2023**

	General Fund	Special Revenue	Total
RECEIPTS			
Assessments	\$ 180,716	\$ -	\$ 180,716
State subventions	66,993	-	66,993
Permits and fees	50,799	-	50,799
Fire insurance income (Note 11)	43,302	-	43,302
Total receipts	<u>341,810</u>	<u>-</u>	<u>341,810</u>
DISBURSEMENTS			
General and administrative:			
Dues and subscriptions	1,625	-	1,625
Insurance	6,726	-	6,726
Legal and professional fees	50,430	-	50,430
Payroll expense	160,424	-	160,424
Other administrative costs	33,883	-	33,883
Total general and administrative	<u>253,088</u>	<u>-</u>	<u>253,088</u>
Maintenance and operations:			
Levee repair and maintenance	737,542	-	737,542
Engineering	11,213	-	11,213
Ferry assessments	117,625	-	117,625
Rent	1,697	-	1,697
Fire-related expenses (Note 11)	58,055	-	58,055
Total maintenance and operations	<u>926,132</u>	<u>-</u>	<u>926,132</u>
Total disbursements	<u>1,179,220</u>	<u>-</u>	<u>1,179,220</u>
(Excess) of disbursements over receipts	<u>(837,410)</u>	<u>-</u>	<u>(837,410)</u>
Other financing sources (uses):			
Transfers	8,014	(8,014)	-
Proceeds from borrowing on warrants payable	400,000	-	400,000
Total other financing sources (uses)	<u>408,014</u>	<u>(8,014)</u>	<u>400,000</u>
Net changes in fund balance	(429,396)	(8,014)	(437,410)
Fund balance - beginning	<u>516,804</u>	<u>49,189</u>	<u>565,993</u>
Fund balance - ending	<u>\$ 87,408</u>	<u>\$ 41,175</u>	<u>\$ 128,583</u>

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

RECLAMATION DISTRICT NO. 2059

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balance of Governmental Fund to the Statement of Activities - Modified Cash Basis
For the year ended June 30, 2023

Net change in fund balance - governmental fund \$ (437,410)

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Proceeds from the issuance of debt provide current financial resources to
governmental funds; however, issuing debt increases long-term liabilities in
the statement of net position.

(400,000)

Change in net position of governmental activities

\$ (837,410)

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

RECLAMATION DISTRICT NO. 2059

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Reclamation District No. 2059 was formed in 1921 under Section 50,000 et seq. of Division 15 of the California State Water Code to provide drainage, irrigation, and complete reclamation of lands within District boundaries. The District encompasses Bradford Island in the eastern portion of Contra Costa County. It is governed by a five-member board of trustees, each elected by the landowners or appointed by the Contra Costa County Board of Supervisors to a four-year term.

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; however, the District is a member of a joint powers agency as described in Note 5.

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.

Fund financial statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental) that is comprised of two 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, 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.

Special revenue fund – This fund is established to account for the proceeds of specific revenue sources other than special assessments or expendable trusts. Generally, resources accounted for in this fund originate from state and federal programs.

RECLAMATION DISTRICT NO. 2059

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

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 reports the following classifications:

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Board of Trustees. Assigned fund balance includes all amounts in the general fund that are intended to be used for a specific purpose.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The District sometimes pays for special project costs out of the general fund when the special project fund has insufficient funds to cover costs. Special project reimbursements are then deposited into the general fund.

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.

RECLAMATION DISTRICT NO. 2059

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 or legal representatives of landowners within the District. The trustees are elected by said landowners and/or legal representatives or appointed by the County Board of Supervisors.

Concentrations

Approximately 73% of the total assessment valuation of District land is concentrated with two landowners.

Income Tax Status

Reclamation District No. 2059 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's management has evaluated events and transactions for potential recognition or disclosure through July 22, 2024, the date the financial statements were available to be issued.

RECLAMATION DISTRICT NO. 2059

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Cash and investments of the District as of June 30, 2023 consist of the following:

	<u>Carrying amount</u>	<u>Bank balance</u>	<u>Fair value</u>
Deposits			
Insured (FDIC)	\$ <u>74,120</u>	\$ <u>74,120</u>	
Investment in external investment pool			
Contra Costa County Treasurer	\$ <u>54,463</u>		\$ <u>54,463</u>

Bank deposits are fully insured. Cash on deposit in commercial accounts is insured by the FDIC up to \$250,000 per bank. Cash on deposit with the Contra Costa 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.co.contra-costa.ca.us/>). 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. LANDOWNER 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. During the 2022-2023 fiscal year, the District's Board of Trustees approved a landowner assessment of \$158,258.

RECLAMATION DISTRICT NO. 2059

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CONTRIBUTIONS TO OTHER AGENCIES

Reclamation District No. 2059 is a member of the Delta Ferry Authority (DFA), a joint powers agency. The DFA was formed on September 30, 1987 by Reclamation District Nos. 2059 and 2026 to succeed the original DFA formed on March 31, 1981 by these two districts and Contra Costa County.

The District's contribution to DFA for the fiscal year ended June 30, 2023 was \$117,625. The agreement requires contributions to the DFA "as from time to time agreed upon between the parties." This agreement will continue in force until terminated by action of either party.

NOTE 6. STATE ASSISTANCE

The District entered into project funding agreements with the State of California Department of Water Resources during the year ended June 30, 2023.

NOTE 7. INSURANCE

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to bystanders; and natural disasters. In order to insure for risks of loss, the District purchases insurance through commercial insurance carriers. As of June 30, 2023, the District does not have insurance coverage due to recent multiple claims to the insurance company. To this date, the District is in the process of applying for insurance coverage.

NOTE 8. GOVERNING BOARD

<u>Board Members</u>	<u>Term Expires</u>
Robert Davies	December 2025
Kevin Finta	December 2027
Charles Louie	December 2025
Michael Craig	December 2027
William Hall	December 2025

NOTE 9. REGISTERED WARRANTS PAYABLE

The District entered into a warrant line of credit with Bank of Stockton. The warrant issued under this agreement shall bear interest rate at 4.5% per annum from the date of registration until paid in full. During the 2022-2023 fiscal year, the District obtained additional warrants with Bank of Stockton to fund major repairs and levee maintenance. The warrant issued under this new agreement shall bear interest rate at 4.0% per annum from the date of registration until paid in full. Outstanding warrants as of June 30, 2023 were \$684,354. Accrued interest was \$92,493 at June 30, 2023.

RECLAMATION DISTRICT NO. 2059

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RESTRICTED NET ASSETS

At June 30, 2023, the District had \$41,175 restricted for levee projects.

NOTE 11. FIRE INSURANCE PROCEEDS AND REPAIRS

In August 2021, the District had a significant fire which caused damage to multiple units and surrounding structures to warrant the need for immediate major repairs. During the 2022-2023 fiscal year, the District received additional insurance proceeds of \$43,302 (received \$602,372 in 2021-2022 fiscal year) and incurred additional related fire repairs of \$58,055 (incurred \$518,376 in 2021-2022 fiscal year).

NOTE 12. LITIGATION

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.

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