

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

Audited Financial Statements
and Other Reports

June 30, 2022 and 2021

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reclamation District No. 1000
Sacramento, California

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Reclamation District No. 1000 (the District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's 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 and each major fund of the District as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 include 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 judgment, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
Reclamation District 1000

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures – budget and actual – is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 6, 2022

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RECLAMATION DISTRICT 1000, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

Our discussion and analysis of the Reclamation District No. 1000, California (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

- At the end of the year, the District's net position is \$51.8 million, of which \$42.2 million is invested in capital assets and \$9.6 million is unrestricted.
- As of June 30, 2022, the District's General Fund reported a total fund balance of \$10.3 million, of which \$10.2 million has been assigned by the Board.
- The District's capital asset balances were \$42.2 million at year-end, decreasing slightly due to \$954 thousand in capital additions, offset by \$1.6 million in depreciation expense.
- The District has no long-term debt.
- The District has recognized a net pension liability in the amount of \$711 thousand due to Governmental Accounting Standards Board Statement (GASB) 68. The liability decreased approximately \$658 thousand from the prior year due to better than expected investment earnings on plan assets. See Note E of the basic financial statements.
- The District has recognized a liability in the amount of \$504 thousand for post employment benefits (OPEB) due to Governmental Accounting Standards Board Statement (GASB) 75. The liability increased approximately \$315 thousand from the prior year due to changes in actuarial assumptions. See Note F of the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Report consists of three parts, Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplemental Information (RSI). The Basic Financial Statements include the Government-wide financial statements and the Fund Financial Statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes the entire District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference representing net position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of the District report on one category, Governmental activities, as the District does not have business-type activities.

Governmental Activities - All of the District's basic services are included here. Assessment revenues and restricted capital project reimbursements finance almost all of the District's flood protection activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has one type of fund, the Governmental Fund.

Governmental Fund – All of the District's basic services are included in the Governmental Fund, which focuses on how resources flow in and out. The balance remaining at year-end is available for future spending. The governmental fund statements provide a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship between governmental activities and governmental funds through the reconciliations and in the notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the Basic Financial Statements and accompanying notes, this report presents certain required supplementary information (RSI) concerning the District's budget and actual on a budgetary basis, as well as required pension and OPEB schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets and deferred outflows of resources less liabilities and deferred inflows of resources equaled \$51.8 million at the close of the most recent fiscal year.

The largest portion of the District's net position (81%) reflects its investment in capital assets (e.g. infrastructure, land, buildings, machinery, and equipment) with the majority being levees, canals or pump stations. The District uses these capital assets to provide flood protection services. Consequently, these assets are not available for future spending. There is no related debt associated with the District's investments in its capital assets.

TABLE 1
Condensed Statement of Net Position
June 30, 2022, 2021 and 2020
(in thousands)

	2022	2021	2020
Current and other assets	\$ 11,442	\$ 12,269	\$ 9,996
Capital assets	<u>42,192</u>	<u>42,853</u>	<u>42,523</u>
Total assets	<u>53,634</u>	<u>55,122</u>	<u>52,519</u>
Deferred outflows of resources	<u>1,112</u>	<u>587</u>	<u>593</u>
Current and other liabilities	<u>2,178</u>	<u>2,270</u>	<u>1,808</u>
Deferred inflows of resources	<u>795</u>	<u>57</u>	<u>67</u>
Net position:			
Invested in capital assets, net	42,192	42,853	42,523
Unrestricted net position	<u>9,581</u>	<u>10,529</u>	<u>8,714</u>
Total net position	<u>\$ 51,773</u>	<u>\$ 53,382</u>	<u>\$ 51,237</u>

Current and other assets decreased approximately \$827 thousand from June 30, 2021 to June 30, 2022. The primary reason for the decrease was because of the decrease in cash and investment balances. At the end of the prior fiscal year, cash and investment balances were \$11.8 million compared to \$10.9 million at the end of the current fiscal year. During 2022, the District incurred \$1.4 million more in flood protection expenses than 2021, and recognized \$2.4 million less in program and general revenues, specifically capital contributions and grants of \$2.3 million compared to 2021. It should be noted that during 2022 and 2021, the District did receive \$205 thousand and \$934 thousand respectively, of “non cash” capital contributions and grant revenues in the form of donated improvements to the levee system.

Capital Assets, Net of Related Debt

As part of the implementation of GASB Statement No. 34, the District retroactively recognized infrastructure assets not previously required to be recognized. GASB Statement No. 34 requires prospective reporting of infrastructure but allows for retroactive application. The District opted to record infrastructure (predominantly levee improvements) retroactively to 1984, the earliest year in which documentation of historical costs were available.

The 2021-2022 capital purchases and additions were:

- Building improvements: video surveillance equipment for district property, \$41,000
- Equipment: backhoe loader, field excavator, trailer, and related equipment, \$555,000
- Vehicles: two maintenance trucks, \$153,000

In addition to the capital purchases above, during the fiscal year 2021/22, the District assumed another \$205,000 of donated improvements to the levee system as a result of the Greenbriar construction project. Last year, \$934,000 of improvements were recognized bringing the total system improvements to \$1,139,000. At the end of fiscal 2022, the project is complete, and the amounts have been capitalized by the District.

The 2020-2021 capital purchases and additions were:

- Building improvements: upgraded exterior lighting of district headquarters, \$11,000
- Equipment: installation of shop racks and storage improvements, \$53,000
- Vehicles: four maintenance trucks and related equipment, \$799,000
- Office equipment: improvements to board room facilities at district headquarters, \$19,000
- SCADA system: An additional \$21,000 was added to the SCADA construction in progress during the fiscal year

The District depreciates capital assets using the straight-line method over the estimated lives of the assets. During the 2022 and 2021 fiscal year, \$1,614,730 and \$1,506,720 respectively in depreciation expense was recognized.

There is no associated debt with any capital assets.

Change in Net Position for Governmental Activities

The following table indicates the changes in net position for the governmental activities:

TABLE 2
Condensed Statement of Activities
Years Ended June 30, 2022, 2021 and 2020
(in thousands)

	2022	2021	2020
Program Revenues:			
Charges for services	\$ 107	\$ 36	\$ 57
Operating grants and contributions	1,421	1,400	1,400
Developer impact fees	104	1,321	
Capital grants and contributions	886	1,950	703
General Revenues:			
Assessment revenues	2,300	2,298	2,305
Investment earnings	(27)	69	171
Miscellaneous income	<u>35</u>	<u>146</u>	<u>2</u>
Total Revenues	4,826	7,220	4,638
Expenses:			
Flood Protection	<u>6,435</u>	<u>5,075</u>	<u>4,924</u>
Change in net position	(1,609)	2,145	(286)
Net position, beginning of year	<u>53,382</u>	<u>51,237</u>	<u>51,523</u>
Net position, end of year	<u>\$ 51,773</u>	<u>\$ 53,382</u>	<u>\$ 51,237</u>

The District's net position decreased by \$1,609,145 during the current fiscal year; the decrease was a result of overall revenues decreasing from \$7.2 million to \$4.8 million, and flood protection expenses increasing from \$5.1 million to \$6.4 million from the prior year. The most significant decreases in revenues were from the developer impact fees from the Greenbriar construction project, and capital contributions and grants, while flood protection expenses increased in the areas of field services, employee related costs, fuel, equipment and facility repairs, FMAP operations, and administration. Investment earnings decreased in 2022 to a negative amount as a result of unrealized losses on the investment in the City of Sacramento investment pool. During 2021, the District's net position increased \$2.1 million from an increase in overall revenues, and a modest increase in flood protection operations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At fiscal year end, the District's governmental fund reported a combined fund balance of almost \$10.3 million, a decrease of \$1,174,376 from the previous year's fund balance. This decrease is due to current year expenses exceeding current year revenues. Significant decreases in revenues from 2021 were a \$335 thousand decrease in capital contributions and grants, and a \$1.3 million decrease in developer impact fees from the Greenbriar construction project. Flood protection expenses increased \$1.4 million from \$3.5 million in 2021 to \$4.9 million in 2022. Of the total \$10.3 million in fund balances, approximately \$10.2 million has been assigned for specific purposes, and \$108 thousand in prepaid expenses are considered non-spendable.

Revenues in the District's governmental fund were \$4.5 million. Assessment revenue of \$2.3 million represents 51% of revenue for the governmental fund. Expenditures from governmental funds were \$5.7 million, which resulted in a decrease in fund balance of \$1,174,376.

Fund Balances

The Board has adopted a policy establishing various types of fund balances. Assignments and balances are determined by board action and General Manager discretion based on the type of fund. These individual fund assignments can be unassigned by the Board of Trustees. The emergency flood fight fund has been established by the General Manager and the other assigned funds by Resolution 2012-6 of the Board of Trustees.

Fund balances as of June 30, 2022, and 2021 are non-spendable and assigned as follows:

TABLE 3
Fund Balances
June 30, 2022 and 2021

<u>Fund Type</u>	<u>June 30, 2022</u> <u>Fund Balance</u>	<u>June 30, 2021</u> <u>Fund Balance</u>
Nonspendable fund balance	\$ 108,062	\$ 105,771
Assigned fund balances:		
Emergency Flood Fight	1,500,000	1,500,000
General capital	3,906,114	4,801,510
Operating reserve	<u>4,802,176</u>	<u>5,083,447</u>
Total assigned fund balances	<u>10,208,290</u>	<u>11,384,957</u>
Total fund balances	<u>\$10,316,352</u>	<u>\$11,490,728</u>

GENERAL BUDGETARY HIGHLIGHTS

The following is a summary of budget and actual results for the District's General Fund revenues for the years ended June 30, 2022, and 2021:

TABLE 4
Fund Revenues - Budget to Actual Comparisons
Year Ended June 30, 2022

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Assessments	\$ 2,250,000	\$ 2,299,557	\$ 49,557
O & M reimbursement from SAFCA	1,400,000	1,421,000	21,000
Capital contributions and grants	792,000	681,448	(110,552)
Fees for service	-	84,189	84,189
Use of money and property	79,000	(10,214)	(89,214)
Other	<u>-</u>	<u>35,260</u>	<u>35,260</u>
Total	<u>\$ 4,521,000</u>	<u>\$ 4,511,240</u>	<u>\$ (9,760)</u>

Fund Revenues - Budget to Actual Comparisons
Year Ended June 30, 2021

	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Assessments	\$ 2,250,000	\$ 2,297,876	\$ 47,876
O & M reimbursement from SAFCA	1,400,000	1,400,000	-
Capital contributions and grants	601,337	1,016,039	414,702
Fees for service	-	14,276	14,276
Use of money and property	125,000	90,623	(34,377)
Other	<u>1,400,000</u>	<u>1,328,842</u>	<u>(71,158)</u>
Total	<u>\$ 5,776,337</u>	<u>\$ 6,147,656</u>	<u>\$ 371,319</u>

Changes from the Amount Originally Budgeted

There were no changes made to the original budget.

Actual Revenues Compared with Final Budgeted Amounts

Total revenues recognized by the District's Governmental Fund were \$9,760 less than budget in fiscal year 2021/22. The variance resulted primarily from less FMAP grant revenue being recognized than budgeted and less interest income than budgeted. During June 2022, the District wrote down to market value the balance of its City of Sacramento Pool A investment fund. The adjustment in the amount of \$95,000 was included in interest income, causing the interest income balance to be (\$27,005).

Actual revenues recognized by the District's Governmental Fund were \$371,319 more than budget in the fiscal year 2020/21. The variance resulted primarily from more FMAP grant revenue being recognized than budgeted. During the latter part of the fiscal year, the District received a second FMAP grant installment for \$792,000 which was scheduled for use in fiscal 2022, however the District purchased a field

truck in April 2021 resulting in the recognition of additional FMAP grant revenue. The balance of this second FMAP grant in the amount of \$387,682 has been recognized as unearned revenue at June 30, 2021.

Actual Expenditures/Other Financing Uses Compared with Final Budgeted Amounts

Following is a summary of current year and prior year budget and actual results for the District's General Fund expenditures.

TABLE 5
Fund Expenditures – Budget to Actual Comparisons
Year Ended June 30, 2022

	Budget	Actual	Favorable (Unfavorable) Variance
O & M	\$ 4,694,950	\$ 3,836,413	\$ 858,537
Administration	1,034,301	1,099,964	(65,663)
Capital outlay	<u>1,131,000</u>	<u>749,239</u>	<u>381,761</u>
Total expenditures	<u>\$ 6,860,251</u>	<u>\$ 5,685,616</u>	<u>\$1,174,635</u>

During the year, the District experienced approximately \$1.2 million in favorable budget variances for expenditures. For operations and maintenance, field services, equipment repairs, and FMAP operations were more than projected; and for administration, retiree healthcare and public relations expenses were more than budgeted. Capital outlay was under budget as \$1.2 million in capital facilities projects did not occur as planned.

Fund Expenditures – Budget to Actual Comparisons
Year Ended June 30, 2021

	Budget	Actual	Favorable (Unfavorable) Variance
O & M	\$ 2,936,230	\$ 2,574,118	\$ 362,112
Administration	1,144,500	883,496	261,004
Capital outlay	<u>3,181,337</u>	<u>902,635</u>	<u>2,278,702</u>
Total expenditures	<u>\$ 7,262,067</u>	<u>\$ 4,360,249</u>	<u>\$2,901,818</u>

During the year, the District experienced over \$2.9 million in favorable budget variances for expenditures. For operations and maintenance, field services, pumping plant power, and facility repairs were less than projected. For administration, budget savings were noted in engineering and administrative consulting services. Capital outlay was also under budget as \$2.5 million in capital projects did not occur as planned.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2022, the District has \$68 million invested in capital assets including land, buildings, infrastructure, and equipment before depreciation (See Table 6).

**Table 6
Changes in Capital Assets**

	As of June 30, 2022	As of June 30, 2021	Increase (Decrease)
Lands and rights of way	\$ 2,221,333	\$ 2,221,333	\$ -
Buildings, pump plants and improvements (including construction in progress)	33,642,423	34,534,925	(892,502)
Infrastructure	27,653,802	26,514,781	1,139,021
Equipment and vehicles	<u>4,496,142</u>	<u>3,869,231</u>	<u>626,911</u>
Total capital assets	<u>\$ 68,013,700</u>	<u>\$ 67,140,270</u>	<u>\$ 873,430</u>

Capital asset activity for fiscal 2022 included the purchase of \$41,000 in video surveillance equipment, field equipment for \$555,000, and two maintenance trucks for \$153,000. The SCADA project that the District has been developing over the last several years came to completion and operational at the start of fiscal 2022. \$744,000 was reclassified out of construction in progress and into pumping equipment and improvements. The Greenbriar construction project also came to completion at the close of 2022. During 2021, \$934,000 in donated levee improvements were made to the levee system, and in 2022 and additional \$205,000 in improvements were made. Total improvements of \$1,139,000 were reclassified out of construction in progress and into pumping equipment and improvements. Depreciation expense for the year amounted to \$1,614,730.

**Table 7
Changes in Capital Assets**

	As of June 30, 2021	As of June 30, 2020	Increase (Decrease)
Lands and rights of way	\$ 2,221,333	\$ 2,221,333	\$ -
Buildings, pump plants and improvements (including construction in progress)	34,534,925	33,516,581	1,018,344
Infrastructure	26,514,781	26,514,781	-
Equipment and vehicles	<u>3,869,231</u>	<u>3,519,860</u>	<u>349,371</u>
Total capital assets	<u>\$ 67,140,270</u>	<u>\$ 65,772,555</u>	<u>\$ 1,367,715</u>

During fiscal 2021, the District purchased four maintenance trucks and related equipment at a cost of \$799,000, upgraded the exterior lighting of district headquarters at a cost of \$11,000, installed shop racks and made storage improvements for \$53,000, made improvements to the board room facilities at district headquarters costing \$19,000, and invested an additional \$21,000 in the SCADA project. Also, as a result of the Greenbriar development project, \$934,000 in donated levee improvements were made to the District's system. The district sold twelve field vehicles, a tractor and mower during the year for \$138,000. These assets were fully depreciated and the proceeds are reported as other financing sources in the governmental fund statements and miscellaneous revenues in the statement of activities. Depreciation expense for the year amounted to \$1,506,720.

Debt Administration

As of June 30, 2022 and 2021, the District had no long-term debt.

CAPITAL PROJECTS

- *Capital Improvement Plan (update)*

The Board of Trustees approved a Professional Services Agreement with Kjeldesn, Sinnock & Neudeck, INC. (KSN) on November 8, 2019 to update the District's Capital Improvement Plan. KSN completed the Capital Improvement Plan Update (CIP) in August 2020.

Focusing on the pumping system, to identify improvements to allow the District to carry out its mission of flood protection, the CIP was developed by the following methods:

- Ranking how critical a Pumping Plant is by the capacity to remove precipitation from the basin and the importance of the area it serves – a criticality rating or consequence of failure
- Determining how likely a Pumping Plant is to fail to perform as designed, or likelihood of failure.
- Determining relative risk for each Pumping Plant, which is a combination of the consequence of failure and likelihood of failure.

Potential projects to address potential deficiencies were identified by the following methods:

- Field condition assessment of each Pumping Plant
- Establishing of the Level of Service each plant would optimally provide and comparing performance against the criteria
- Defining the typical life cycle for the major Pumping Plant components, including major cost-effective maintenance items to extend the useful life.

In several cases two or more of the above methods identified potential projects at pumping plants. The results of the Condition assessment, Level of Service, and Life Cycle Analysis showed that the system is overall in good working order, with several of its plants replaced within the last decade. Of the District's two most critical Pumping Plants, Plant 1B was found to be in very good working order, with some projects needed to maintain its condition, while Plant 8 has several life cycle replacements that are coming due concurrently resulting in a major overhaul project, plus the outfall pipe has premature wearing and is recommended for evaluation and remediation up to replacement.

Kjeldesn, Sinnock & Neudeck, INC. (KSN) is currently working on a Pumping Plant #8 preliminary design and construction phasing plan. The electrical and structural team are in the process of determining site alternatives, which include pump operations and pump bay improvements.

As the most critical plants, major replacements are recommended for Plant 8 and a handful of smaller improvement and life cycle replacements for Plant 1B. Other replacements mostly tied to life cycle and upgrades such as backup power generation were recommended to increase the reliability of the overall system. Over a 30-year planning horizon, a program of upgrades to maintain reliability of the system resulted in the following un-escalated CIP expenditures for Pumping Plants:

- \$30.9 million (M) in the first decade 2021-2030, with \$28.1M planned in the first 6 years.
- \$8.1M over years 2031-2040
- \$26.9M over years 2041-2050, with several recently replaced critical components reaching the end of their useful lives.

In addition to \$65.9M for Pumping Plants over 30 years, the following expenditures are recommended to be budgeted:

- Annual budget of \$55,000 to perform cost-effective preventive maintenance is recommended for the duration of the CIP, or \$1.65M over 30 years.
- Annual budget of \$900,000 for life cycle replacement of culverts and drains, or \$27M over 30 years.

The net recommended budget for the portion evaluated is \$94.55M from 2021-2050, or an average of nearly \$3.2M per year. The above costs were left un-escalated so implementation can be modified and adjusted into the District's financial plan which is currently being formulated.

- ***Significant Capital Projects on District Facilities Undertaken By Others***

The Natomas Levee Improvement Project (NLIP):

NLIP is funded by the Sacramento Area Flood Control Agency (SAFCA) and Natomas Basin Project (Federal Project) funded by the United States Army Corps of Engineers (USACE) with State and SAFCA cost sharing. The goal of the combined levee system improvements protecting the Natomas Basin is to provide at least 200-year flood protection as required by the State's Urban Level of Flood Protection (ULOP) standards. Levee improvements and associated works completed to date have been funded through a combination of SAFCA funds (voter approved SAFCA Capital Assessment Districts) and State funds from the Proposition 1E Bond. These funds have been sufficient to complete 50% of the total levee improvements needed to provide the 200-year flood protection between 2006 and 2013. It should be noted the improvements completed to date addressed the highest risk areas based on studies done to date, as well as previous experience during flood events.

The remaining work will be completed by the USACE as part of the Natomas Basin Levee Project authorized by Congress in the 2014 Water Resources Reform and Development Act (WRRDA). Construction by the USACE commenced in 2017 after delays due to construction contracting issues. As of June 30, 2022, approximately 50% of the remaining levee work has been completed. An additional 25% is currently under construction and the remaining 25% is in design with construction to commence in the next few years. In addition to levee work, the USACE Natomas Levee Project includes improvements to all of the RD 1000 Pumping Plants to meet USACE design standards and provide the 200-year flood protection. Pumping Plant No 2 was reconstructed during the SAFCA NLIP construction. Pumping Plants 4 and 5 will be fully reconstructed and the remaining plants (1A, 1B, 3, 6 and 8) will have significant modifications. During the fiscal year ending June 30, 2022, significant work was done on the Natomas East Main Drain Canal and Sacramento River levees. The contract to complete the levee work on the Sacramento River was awarded in September of 2021 with construction commencing in June 2022. In addition, during the past fiscal year significant work was done to the RD 1000 Pumping Plant Nos. 3 and 4.

Completion of the entire project is anticipated by 2026 or 2027. However, this schedule is dependent on annual federal appropriations, the timely acquisition of necessary rights of way, relocation of utilities, and acquisition of specialized equipment particularly related to the pumping plant modifications.

OPERATIONS AND MAINTENANCE

The District saw below normal rainfall during the 2021-2022 flood season. As a result, the District did not activate its Emergency Action Plan and 24 hour patrolling was minimized.

Outside of the flood season, the District performed normal operations and maintenance activities including canal erosion repairs, road repairs, mowing canals/levees; spraying both terrestrial and aquatic pesticides to manage vegetation, minor repairs to facilities, garbage/debris removal and pump station maintenance. Since 2019, the District continues to experience a considerable increase in unauthorized encampment activity within its floodways. This activity resulted in a significant increase in trash and debris removal, which impacted the District's efficiency in other operations due to the presence of unauthorized encampments within the floodway.

As noted in previous years, the District has assumed full operations and maintenance responsibility for all 21 miles of levee improvements completed to date as part of the NLIP, including the remaining grassland vegetation along the levees. In addition, several levee reaches have also now been completed by the USACE and turned back to the District for full operations and maintenance. While the levees are improved and significantly reduce the flood risk in the District, they include a much larger footprint, more access roads and access control gates to operate and maintain. The District is currently studying options for the most efficient method to maintain the expanded levee footprint and is developing an Annual Operations and Maintenance Plan to determine the resources needed to meet its responsibility.

PLANNING

The District solicited requests for qualifications for a Comprehensive Financial Plan and Assessment Rate Study on March 2, 2020. The District received Statements of Qualifications from three (3) firms including NBS on April 3, 2020 in accordance with the Request for Qualifications. The District's Finance Committee reviewed the submittals on April 21, 2020. NBS was recommended by the Finance Committee for award of a Professional Services Agreement for the project. On May 8, 2020 the Board of Trustees approved retention of NBS, Inc. to perform a comprehensive financial plan in 2020-2021.

In general, the District was seeking a qualified financial consultant to evaluate the District's current and forecasted financial position, develop a comprehensive financial plan, evaluate existing assessment rate structure, and if needed based on results of the comprehensive financial plan, develop legally defensible assessment rates. The broad objective of the study is to ensure the financial stability to fund operations and needed capital investments, including rehabilitation, replacement and modernization of the District's infrastructure.

1. Conduct a detailed review of the District's operating and capital improvement budgets and develop a Comprehensive (10-year) Finance Plan that promotes financial sustainability and maintains adequate reserve levels.
2. Evaluate the existing assessment rate structure and model assessment rate structure.
3. Meet and/or confer with staff as needed and attend up to three daytime meetings/workshops with the Financial Committee and three evening meetings/workshops with the District Board of Directors to present and discuss results of the studies and obtain their input. Attend the public hearing where the water rates are considered for adoption.
4. Obtain all necessary records, data, and statistics from District and conduct analyses as required to address the scope of work.
5. Preliminary Reports
 - a. Prepare preliminary finance plan.
 - b. Prepare a comprehensive administrative record that shows the calculations for cost of service and allocation of costs;
 - c. Prepare preliminary reports of assumptions for assessment rate, and provide tentative rate recommendations; and

- d. Present preliminary reports and tentative rates to the Financial Committee and the District's Board of Directors.
6. Draft Final Reports
 - a. Incorporate changes pursuant to comments received from the District's Board; and
 - b. Present revised reports and rate recommendations to the District Board of Trustees at a regularly scheduled Board meeting.
7. Final Reports
 - a. Incorporate changes pursuant to comments received at the Board meeting presentation;
 - b. Provide an electronic copy of the report, with spreadsheets in Excel format; and
 - c. Present the final reports and recommended rates to the Board of Trustees and members of the public at a formal public hearing.
8. Supply a schedule for deliverables.
9. Provide an easy-to-use rate model of the final rate structure for the District to use in rate forecasting.

NBS completed Phase 1 of the Financial Plan which was subsequently adopted by the Board of Trustees on January 15, 2021. Subsequently, the District awarded a contract to NBS for Phase 2 of the project on May 4, 2021. Phase 2 evaluated funding options for the District and was presented to the Board of Trustees in May 2022. The District proceeded a Public Draft of the Fee Study for Public Comment during September 2022. The Proposition 218 process will continue through February of 2023 and if approved by the public would be effective for the FY 2023/24 Tax Rolls.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District office at:

Reclamation District No. 1000, California
1633 Garden Highway
Sacramento, CA 95833

Submitted by:
Kevin L. King, General Manager

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and investments	\$ 10,895,141	\$ 11,841,534
Receivables:		
Assessments	18,000	18,000
Interest	24,187	41,367
Other receivables, net of allowance of \$2,863	222,357	87,848
Prepaid expenses and other assets	108,062	105,771
Inventory	174,241	174,241
Capital assets, net	<u>42,192,357</u>	<u>42,852,827</u>
TOTAL ASSETS	<u>53,634,345</u>	<u>55,121,588</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	312,350	302,339
Other postemployment benefits	<u>800,042</u>	<u>284,853</u>
	<u>1,112,392</u>	<u>587,192</u>
LIABILITIES		
Accounts payable	444,217	97,686
Accrued payroll expense	62,190	55,406
Deposits	48,986	45,018
Unearned revenues	268,546	387,682
Long-term liabilities		
Accrued vacation	139,925	126,860
Net pension liability	710,510	1,368,174
Net OPEB liability	<u>503,858</u>	<u>188,689</u>
TOTAL LIABILITIES	<u>2,178,232</u>	<u>2,269,515</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	677,843	47,671
Other postemployment benefits	<u>117,715</u>	<u>9,502</u>
	<u>795,558</u>	<u>57,173</u>
NET POSITION		
Net investment in capital assets	42,192,357	42,852,827
Unrestricted	<u>9,580,590</u>	<u>10,529,265</u>
TOTAL NET POSITION	<u>\$ 51,772,947</u>	<u>\$ 53,382,092</u>

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
PROGRAM EXPENSES		
Governmental activities:		
Flood protection	\$ 6,434,862	\$ 5,075,159
PROGRAM REVENUES		
Charges for services	106,577	36,285
Operating grants and contributions	1,421,000	1,400,000
Capital grants and contributions	<u>990,328</u>	<u>3,270,726</u>
NET PROGRAM EXPENSES	(3,916,957)	(368,148)
GENERAL REVENUES		
Assessments	2,299,557	2,297,876
Investment earnings	(27,005)	68,614
Gain on sale of capital assets		138,377
Miscellaneous	<u>35,260</u>	<u>8,155</u>
TOTAL GENERAL REVENUES	<u>2,307,812</u>	<u>2,513,022</u>
CHANGE IN NET POSITION	(1,609,145)	2,144,874
Net position at beginning of year	<u>53,382,092</u>	<u>51,237,218</u>
NET POSITION AT END OF YEAR	<u><u>\$ 51,772,947</u></u>	<u><u>\$ 53,382,092</u></u>

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

BALANCE SHEETS – GENERAL FUND

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 10,895,141	\$ 11,841,534
Receivables:		
Assessments	18,000	18,000
Interest	24,187	41,367
Other	222,357	87,848
Other assets	<u>108,062</u>	<u>105,771</u>
TOTAL ASSETS	<u>\$ 11,267,747</u>	<u>\$ 12,094,520</u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 444,217	\$ 97,686
Accrued payroll expense	62,190	55,406
Deposits	48,986	45,018
Unearned revenues	<u>268,546</u>	<u>387,682</u>
TOTAL LIABILITIES	<u>823,939</u>	<u>585,792</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>127,456</u>	<u>18,000</u>
FUND BALANCES		
Nonspendable	108,062	105,771
Assigned	<u>10,208,290</u>	<u>11,384,957</u>
TOTAL FUND BALANCES	<u>10,316,352</u>	<u>11,490,728</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 11,267,747</u>	<u>\$ 12,094,520</u>

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

RECONCILIATIONS OF THE BALANCE SHEETS TO THE GOVERNMENT-WIDE
STATEMENTS OF NET POSITION – GENERAL FUND

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Fund balance - total governmental funds, June 30,	\$ 10,316,352	\$ 11,490,728
Amounts reported for governmental activities in the statement of net position are different because:		
Assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Capital assets, net of accumulated depreciation	42,192,357	42,852,827
Inventory	174,241	174,241
Deferred outflows related to pensions and OPEB are not reported in the government funds	1,112,392	587,192
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued vacation	(139,925)	(126,860)
Net pension liability	(710,510)	(1,368,174)
Net OPEB liability	(503,858)	(188,689)
Deferred inflows related to pensions and OPEB are not reported in the government funds	(795,558)	(57,173)
Some revenues are not recognized in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities:		
Unavailable revenue	<u>127,456</u>	<u>18,000</u>
Net position - governmental activities, June 30,	<u>\$ 51,772,947</u>	<u>\$ 53,382,092</u>

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GENERAL FUND

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Property assessments	\$ 2,299,557	\$ 2,297,876
O & M reimbursements	1,421,000	1,400,000
Capital grants and contributions	681,448	1,016,039
Developer impact fees		1,320,687
Fees for services	84,189	14,276
Use of money and property	(10,214)	90,623
Other revenues	35,260	8,155
TOTAL REVENUES	<u>4,511,240</u>	<u>6,147,656</u>
EXPENDITURES		
Current:		
Flood protection		
Maintenance and operations	3,836,413	2,574,118
Administration	1,099,964	883,496
Capital outlay	749,239	902,635
TOTAL EXPENDITURES	<u>5,685,616</u>	<u>4,360,249</u>
(DEFECIT) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(1,174,376)	1,787,407
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets		138,377
OTHER FINANCING SOURCES	<u>-</u>	<u>138,377</u>
NET CHANGE IN FUND BALANCE	(1,174,376)	1,925,784
Fund balance at beginning of year	<u>11,490,728</u>	<u>9,564,944</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,316,352</u>	<u>\$ 11,490,728</u>

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

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

RECONCILIATIONS OF THE STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES –
GENERAL FUND

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net change in fund balance - total governmental funds for the year ended June 30	\$ (1,174,376)	\$ 1,925,784
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures and donated infrastructure is not reported. In the statement of activities, however, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital outlay	749,239	902,635
Donated infrastructure	205,021	934,000
Depreciation expense	(1,614,730)	(1,506,720)
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities		
Change in unavailable revenue	109,456	
Some expenses in the Government-wide Statement of Activities that do not require the use of current financial resources are not reported as expenses in the governmental funds.		
Change in accrued vacation	(13,065)	(15,069)
Change in deferred outflows of resources related to employee pensions and OPEB	525,200	(5,946)
Change in deferred inflows of resources related to employee pensions and OPEB	(738,385)	9,515
Change in employee net pension liability	657,664	(86,463)
Change in OPEB liability	<u>(315,169)</u>	<u>(12,862)</u>
Change in net position - governmental activities for the year ended June 30	<u>\$ (1,609,145)</u>	<u>\$ 2,144,874</u>

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

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Reclamation District No. 1000 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Background: The District was formed under an Act of the Legislature of the State of California on April 18, 1911. The District is governed under a Board of Trustees and operates and maintains seven pumping stations, 42.61 miles of federal project levees, ten miles of non-project levees in the Pleasant Grove area, and 180 miles of canals and ditches in Sacramento and Sutter Counties.

Basis of Presentation – 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 non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items were properly excluded from program revenues and were reported instead as general revenues.

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.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

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 all revenues to be available if they are collected within 90 days of the end of the current fiscal period, with the exception of property assessments. Property assessments are considered to be available if they are collected within 60 days of the current fiscal period. Amounts not received within the availability period are reported as unavailable revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Payable balances consist primarily of payables to vendors.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax assessment revenues, reimbursement revenues, grants, fees for services and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District, or collected within the availability period.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The Fund is charged with all costs of operations.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District’s policies and procedures. Budgetary control is exercised by major object. Budgetary changes, if any, during the fiscal year require the approval of the District’s Board of Trustees. Unencumbered budget appropriations lapse at the end of the fiscal year.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported in the fund financial statements as nonspendable fund balance to indicate they do not constitute resources available for appropriation.

Inventory: The District has on-hand significant amounts of large rock for emergency levee repair. Estimated remaining balances are recorded at cost on a first-in, first-out basis. During the years ended June 30, 2022, and 2021, inventory was not included in the fund financial statements as these are not considered current financial resources.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are capitalized and reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the time received. Capital assets are depreciated using the straight-line method over the estimated useful lives.

Infrastructure	100 years
Building and improvements	20-40 years
Pumping equipment and improvements	7-50 years
Equipment and vehicles	5-10 years

The District’s capitalization threshold is \$5,000. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation and Sick Leave: The District's policies regarding vacation and sick leave permit employees to accumulate earned, but unused vacation and sick leave. The District's policy for sick-pay states that upon retirement, an employee may be paid one-third (up to a maximum of 400 hours) of their accumulated unused sick leave balance. The remaining balance of the employees' sick leave is then available for service credit under the District's pension plan. Alternatively, the employees may elect to use their entire balance of accumulated unused sick leave for service credit under the District's pension plan. All vacation and an estimate of the probable sick leave pay-out is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to liquidate compensated absences. All of the accrued vacation and sick leave is considered long-term.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and any outstanding debt related to the purchase of capital assets reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted net position.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Fund Equity: In the General Fund financial statements, the District reports the following fund balances:

Non-spendable fund balances – This category presents amounts not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid costs and deposits.

Committed fund balances – This category includes amounts that can be used only for specific purposes determined by a formal action of the Board. The Board has authority to establish, modify, or rescind a fund balance commitment through a resolution of the Board. The District does not have committed fund balances.

Assigned funds balances – This category includes amounts constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – This category represents the residual classification for the District's funds and includes all spendable amounts not contained in the other classifications.

The Board establishes, modifies or rescinds fund balance commitments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The District's committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A resolution of the Board delegates authority to management to establish various reserves, which are considered assigned fund balances. Assigned fund balances consist of the following at June 30:

	2022	2021
Emergency Flood Fight Fund – Funds designated to fight flood emergencies and to help prevent the need for future special assessments.	\$ 1,500,000	\$ 1,500,000
General Capital Fund – To accumulate funds for future capital projects. Such projects represent capital improvement projects to repair damaged levees, improve the reliability of the system and/or increase in the District’s ability to monitor the system and respond in a flood emergency.	3,906,114	4,801,510
Operation and Maintenance (O&M) Fund - Reserve balance set at 70% of the current year annual expenditure budget.	4,802,176	5,083,447
	\$ 10,208,290	\$ 11,384,957

Assessments: The District made assessments against properties within the District in accordance with requirements of State law. Assessments are processed through Sacramento and Sutter Counties based on the parcel size and designated land use of the parcels. Assessments are payable with the property owner’s property taxes. The assessments are typically levied on or before the first day of September each year and become a lien on real property upon levy. Assessments are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. The District recognizes assessments when the individual installments are due provided they are collected within 60 days after year end.

The Counties use the Alternative Method of Property Tax Apportionment (Teeter). Under this method of property tax apportionment for assessments collected as part of property taxes, the County purchases the delinquent secured property taxes at June 30 of each fiscal year and guarantees the District 100% of its annual assessment.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statements of net position and balance sheets – General Fund reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net assets by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net assets that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources in the statements of net position and balance sheets – General Fund represent amounts deferred related to the District’s pension and OPEB plans as described in Notes E and F, and for revenue not received within the availability period.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note E.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deletions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note F.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements: In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

NOTE B – CASH AND INVESTMENTS

As of June 30, 2022 and 2021, cash and investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Deposits in financial institutions	\$ 757,131	\$ 822,067
Sacramento County Pooled Investment Fund	5,981,280	5,670,915
City of Sacramento Pool A	2,110,957	2,157,854
Local Agency Investment Fund (LAIF)	<u>2,045,773</u>	<u>3,190,698</u>
Total cash and investments	<u>\$ 10,895,141</u>	<u>\$ 11,841,534</u>

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE B – CASH AND INVESTMENTS (Continued)

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the years ended June 30, 2022 and 2021, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local agency bonds	5 years	None	None
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates and time deposits	5 years	30%	None
Repurchase agreements	92 days	20%	None
Medium term corporate notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Pooled investment funds	N/A	None	None

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the Sacramento County Pooled Fund: The District maintains a portion of its cash in Sacramento County's cash investment pool, which is managed by the Sacramento County Treasurer. The amount invested by all public agencies in Sacramento County's cash and investment pool is \$6,308,279,736 and \$4,571,404,062 at June 30, 2022 and 2021, respectively. Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Sacramento County's cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Sacramento County that 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. Investments held in the County's investment pool are available on demand to the District and are stated at cost, which approximates fair value.

Investment in the City of Sacramento's Investment Pool: The District maintains a portion of its cash in the City of Sacramento's cash and investment pool which is managed by the City Treasurer. The District's cash balances invested in the City Treasurer's cash and investment pool are stated at fair value. The amount invested by all public agencies in the City's cash and investment pool is \$1,548,082,168 and \$1,522,154,690 at June 30, 2022 and 2021, respectively. The City does not invest in any derivative financial products directly. However, they do invest in investment pools, which may invest in derivative financial products. The City Council has oversight responsibility for the cash and investment pool. The value of pool shares in the City that 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.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasurer through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$231,867,874,452 and \$193,463,490,765 at June 30, 2022 and 2021, respectively, managed by the State Treasurer. Of that amount, 1.88% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2022 and 2021, the weighted average maturity of the investments contained in the County's investment pool was approximately 278 days and 300 days, respectively. As of June 30, 2022 and 2021, the weighted average maturity of the investments contained in the City's investment pool was approximately 2.54 and 3.14 years, respectively. As of June 30, 2022 and 2021, the weighted average maturity of the investment in LAIF was approximately 311 and 291 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County's investment pool, City's investment pool and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2022 and 2021, the carrying amount of the District's deposits were \$757,131 and \$822,067 and the balances in financial institutions were \$1,014,530 and \$874,477, respectively. Of the balance in financial institutions, \$250,000 at June 30, 2022 and 2021 was covered by federal depository insurance and amounts in excess of this balance are covered by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 and 2021 was as follows:

	Balance July 1, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 2,221,333				\$ 2,221,333
Construction in progress	1,678,206	\$ 205,021		\$ (1,883,227)	-
Total capital assets, not being depreciated	<u>3,899,539</u>	<u>205,021</u>	<u>-</u>	<u>(1,883,227)</u>	<u>2,221,333</u>
Capital assets being depreciated:					
Infrastructure	26,514,781			1,139,021	27,653,802
Building and improvements	2,467,358	41,498			2,508,856
Pump equipment and improvements	30,389,361			744,206	31,133,567
Equipment and vehicles	3,869,231	707,741	\$ (80,830)		4,496,142
Total capital assets, being depreciated	<u>63,240,731</u>	<u>749,239</u>	<u>(80,830)</u>	<u>1,883,227</u>	<u>65,792,367</u>
Less accumulated depreciation for:					
Infrastructure	(5,311,969)	(264,076)			(5,576,045)
Building and improvements	(1,063,907)	(74,227)			(1,138,134)
Pump equipment and improvements	(15,431,679)	(816,574)			(16,248,253)
Equipment and vehicles	(2,479,888)	(459,853)	80,830		(2,858,911)
Total accumulated depreciation	<u>(24,287,443)</u>	<u>(1,614,730)</u>	<u>80,830</u>	<u>-</u>	<u>(25,821,343)</u>
Total capital assets, being depreciated, net	<u>38,953,288</u>	<u>(865,491)</u>	<u>-</u>	<u>1,883,227</u>	<u>39,971,024</u>
Capital assets, net	<u>\$ 42,852,827</u>	<u>\$ (660,470)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,192,357</u>

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE C – CAPITAL ASSETS (Continued)

	Balance July 1, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 2,221,333				\$ 2,221,333
Construction in progress	723,529	\$ 954,677			1,678,206
Total capital assets, not being depreciated	<u>2,944,862</u>	<u>954,677</u>	<u>-</u>		<u>3,899,539</u>
Capital assets being depreciated:					
Infrastructure	26,514,781				26,514,781
Building and improvements	2,456,273	11,085			2,467,358
Pump equipment and improvements	30,336,779	52,582			30,389,361
Equipment and vehicles	3,519,860	818,291	\$ (468,920)		3,869,231
Total capital assets, being depreciated	<u>62,827,693</u>	<u>881,958</u>	<u>(468,920)</u>		<u>63,240,731</u>
Less accumulated depreciation for:					
Infrastructure	(5,047,893)	(264,076)			(5,311,969)
Building and improvements	(990,231)	(73,676)			(1,063,907)
Pump equipment and improvements	(14,629,836)	(801,843)			(15,431,679)
Equipment and vehicles	(2,581,683)	(367,125)	468,920		(2,479,888)
Total accumulated depreciation	<u>(23,249,643)</u>	<u>(1,506,720)</u>	<u>468,920</u>		<u>(24,287,443)</u>
Total capital assets, being depreciated, net	<u>39,578,050</u>	<u>(624,762)</u>	<u>-</u>		<u>38,953,288</u>
Capital assets, net	<u>\$ 42,522,912</u>	<u>\$ 329,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,852,827</u>

Depreciation expense of \$1,614,730 and \$1,506,720 for the years ended June 30, 2022 and 2021, respectively, was charged to the flood protection function.

Additions to construction in progress in fiscal years 2022 and 2021 include \$205,021 and \$934,000 respectively, of donated improvements to the District's system, which is not reported as capital outlay on the General Fund Statements of Revenues, Expenditures and Changes in Fund Balance.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2022 and 2021:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Accrued vacation	\$ 126,860	\$ 13,065	-	\$ 139,925
Net pension liability	1,368,174	-	\$ (657,664)	710,510
Net OPEB liability	188,689	315,169	-	503,858
	<u>\$ 1,683,723</u>	<u>\$ 328,234</u>	<u>\$ (657,664)</u>	<u>\$ 1,354,293</u>

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Accrued vacation	\$ 111,791	\$ 15,069	-	\$ 126,860
Net pension liability	1,281,711	86,463	-	1,368,174
Net OPEB (asset) liability	175,827	12,862	-	188,689
	<u>\$ 1,569,329</u>	<u>\$ 114,394</u>	<u>\$ -</u>	<u>\$ 1,683,723</u>

NOTE E – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The District has the following cost-sharing Plans:

- Miscellaneous Plan
- PEPRA Miscellaneous Plan

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

RECLAMATION DISTRICT 1000, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE E – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2022 and 2021, are summarized as follows:

	Miscellaneous Rate Plan	Miscellaneous Second tier Rate Plan	PEPRA Miscellaneous Rate Plan
Hire date	Prior to August 30, 2011	August 30, 2011 to December 31, 2012	On or after January 1, 2013
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	52-67	52-67	52 - 67
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	1.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates:			
2022	7.00%	7.00%	6.75%
2021	7.00%	7.00%	6.75%
Required employer contribution rates:			
2022	10.88%	8.65%	7.59%
2021	11.03%	8.79%	7.73%

In addition to the contribution rates above, the District was also required to make payments of \$101,866 and \$87,982 towards its unfunded actuarial liability during the years ended June 30, 2022 and 2021, respectively. The Miscellaneous rate plans are closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2022 and 2021, the contributions made to the Plan were \$195,167 and \$172,665, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2022 and 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan of \$710,510 and \$1,368,174, respectively.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE E – PENSION PLANS (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2022 is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The net pension liability as of June 30, 2021 is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the measurement dates was as follows:

Proportion - June 30, 2021	0.01257%
Proportion - June 30, 2022	0.01314%
Change - Increase	0.00057%
Proportion - June 30, 2020	0.01251%
Proportion - June 30, 2021	0.01257%
Change - Increase	0.00006%

For the years ended June 30, 2022 and 2021, the District recognized pension expense of \$157,664 and \$272,915 respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 195,167		\$ 172,665	
Differences between actual and expected experience	79,676		70,507	
Changes in assumptions				\$ (9,758)
Change in employer's proportion	37,507		18,523	
Differences between the employer's contribution and the employer's proportionate share of contributions		\$ (57,605)		(37,913)
Net differences between projected and actual earnings on plan investments		(620,238)	40,644	
Total	<u>\$ 312,350</u>	<u>\$ (677,843)</u>	<u>\$ 302,339</u>	<u>\$ (47,671)</u>

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE E – PENSION PLANS (Continued)

The \$195,167 and \$172,665 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2023	\$ (120,377)
2024	(130,052)
2025	(138,829)
2026	<u>(171,402)</u>
	<u>\$ (560,660)</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15% (2)	7.15% (2)
Inflation	2.50%	2.50%
Projected Salary Increase	(1)	(1)
Mortality	Developed using CalPERS Membership Data for all funds	Developed using CalPERS Membership Data for all funds
Post-retirement benefit	Contract COLA up to 2.50% until purchasing power protection allowance applies	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used for the June 30, 2021 and 2020 measurement date include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE E – PENSION PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.15% at June 30, 2022 and June 30, 2021. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2022			2021		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Global Fixed						
Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>			<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE E – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2022	2021
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 1,541,359	\$ 2,160,289
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 710,510	\$ 1,368,174
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 23,659	\$ 713,674

Pension Plan Fiduciary Net Position: Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan: At June 30, 2022 the District had \$13,895 in outstanding contributions payable to the pension plan; at June 30, 2021, \$6,163 in contributions were outstanding.

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District’s defined benefit postemployment healthcare plan provides medical benefits to employees who have attained age 50 with five years of service, or under PEPR after 10 years of service, increasing 2% per year up to 100% of the benefit after 20 years of service. The plan also provides for dependent coverage. In fiscal year 2012/13, the District modified its contract with CalPERS Public Employees Healthcare to a 75%/25% employer/employee cost share for current employees and retirees. Employees hired after January 1, 2013 cost share under the State Vesting Plan as contracted by the District, which is 50% contribution at 10 years of service plus 5% per additional year of service to 100% at 20 or more years.

The District contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer defined benefit plan) and to provide an investment vehicle, the California Employees’ Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The District chooses from a menu of benefit provisions and adopts certain benefits provisions by Board statute within the Public Employees’ Retirement Law. By participating in CERBT, the District is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues a Comprehensive Annual Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Contributions: The Board grants the authority to establish and amend the contribution requirements of the District. During the year ended June 30, 2022, the District’s cash contributions to the trust were \$168,672 and the implied subsidy was \$30,000, resulting in total payments of \$198,672. During the year ended June 30, 2021, the District’s cash contributions to the trust were \$75,205.

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Employees Covered by Benefit Terms: As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>12</u>
Total	<u>21</u>

Total OPEB Liability: The District's total OPEB liability as of June 30, 2022 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021. The District's total OPEB liability as of June 30, 2021 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2022</u>	<u>2021</u>
Valuation date	June 30, 2021	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	5.5%	6.5%
Inflation	2.50%	2.75%
Salary increases	2.75% per year	2.75% per year
Investment rate of return	5.5%	6.5%
Mortality rate	Derived using CalPERS membership data	Derived using CalPERS membership data
Pre-retirement turnover	Derived using CalPERS membership data	Derived using CalPERS membership data
Healthcare trend rate non-Medicare	6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076	4% annually
Healthcare trend rate Medicare	Non-Kaiser 5.85% and Kaiser 4.75% for 2022, both decreasing to an ultimate rate of 3.75% in 2076	4% annually

Mortality information was based on the 2014 CalPERS Active Mortality of Miscellaneous Employees table created by CalPERS. The experience study report may be accessed on the CalPERS website at <https://www.calpers.ca.gov>.

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	40.0%	4.56%
All Fixed Income	43.0%	0.78%
Real Estate Investment Trusts	8.0%	4.06%
All Commodities	4.0%	1.22%
Treasury Inflation Protected Securities (TIPS)	5.0%	(0.08%)
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 5.5% and 6.5% for June 30, 2022 and June 30, 2021 respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and active employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total O3PEB liability.

Changes in the Total OPEB Liability (Asset): The change in the total OPEB liability for the plan is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2021	\$ 1,290,471	\$ 1,101,782	\$ 188,689
Changes in the year:			
Service cost	36,990		36,990
Interest	83,852		83,852
Contributions - employer		75,205	(75,205)
Net investment income		218,171	(218,171)
Experience (gains)/losses	28,377		28,377
Assumption changes	458,684		458,684
Expected benefit payments to retirees (estimate)	(74,859)	(74,859)	
Administrative expenses		(642)	642
Net changes	533,044	217,875	315,169
Balance at June 30, 2022	\$ 1,823,515	\$ 1,319,657	\$ 503,858

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2020	\$ 1,249,718	\$ 1,073,891	\$ 175,827
Changes in the year:			
Service cost	36,000		36,000
Interest	79,958		79,958
Contributions - employer		49,497	(49,497)
Net investment income		58,110	(58,110)
Experience (gains)/losses	3,981		3,981
Expected benefit payments to retirees (estimate)	(79,186)	(79,186)	
Administrative expenses		(530)	530
Net changes	<u>40,753</u>	<u>27,891</u>	<u>12,862</u>
Balance at June 30, 2021	<u>\$ 1,290,471</u>	<u>\$ 1,101,782</u>	<u>\$ 188,689</u>

The following changes in assumptions were made in the June 30, 2021 valuation: implied subsidy added as required by GASB 75, discount rate updated based on stochastic analysis and survey of investment advisory firms, medical trend was updated based on consultation with Axene Health Partners' and Getzen Model for short-term and long-term trends respectively, demographic assumptions and salary merit increase were updated to CalPERS 1997-2015 Experience Study, participation and coverage assumptions were updated based on the Plan's benefits and experience and mortality improvement scale was updated to Scale MP-2020.

In addition, the following changes were made after June 30, 2021 valuation was prepared that will affect the OPEB liability in the next valuation: the District moved assets from CERBT Strategy 2 to CERBT Strategy 1. As a result, a higher discount rate to be used at measurement date June 30, 2022. In addition, CalPERS approved new CERBT asset allocations in March 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2022		
	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net OPEB liability	\$ 758,912	\$ 503,858	\$ 293,920

RECLAMATION DISTRICT 1000, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

	2021		
	Current		
	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Net OPEB liability	\$ 337,434	\$ 188,689	\$ 63,358

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2022		
	Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Net OPEB liability	\$ 260,477	\$ 503,858	\$ 810,291

	2021		
	Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Net OPEB liability (asset)	\$ 47,861	\$ 188,689	\$ 353,365

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERBT financial report at www.calpers.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the years ended June 30, 2022 and 2021, the District recognized OPEB expense of \$106,865 and \$70,711, respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 198,672		\$ 75,205	
Difference between expected and actual experience	202,255	\$ (5,124)	200,282	\$ (6,263)
Changes in assumptions	399,115			
Net differences between projected and actual earnings on plan investments		(112,591)	9,366	(3,239)
Total	\$ 800,042	\$ (117,715)	\$ 284,853	\$ (9,502)

RECLAMATION DISTRICT 1000, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2023	\$ 56,980
2024	56,584
2025	57,659
2026	55,522
2027	85,405
Thereafter	<u>171,505</u>
	<u>\$ 483,655</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in the total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. The net difference between expected and actual experience is recognized over the expended average remaining service lifetime (EARSLS), which was 7.7 years at the June 30, 2021 valuation date.

NOTE G – CONTINGENCIES

Prop 218: Proposition 218, which was approved by the voters in November 1996, regulates the District’s ability to impose, increase, and extend assessments and fees. Any new or increased assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District’s ability to finance the services for which the property assessments were imposed may be significantly impaired. However, the District may also have the ability to assess certain government owned properties which were previously rendered exempt. The effect Proposition 218 will have on the District’s ability to maintain or increase the revenue it receives from assessments and fees in the future is unknown.

COVID-19: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

REQUIRED SUPPLEMENTAL INFORMATION

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RECLAMATION DISTRICT NO. 1000, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021 and 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN
Last 10 Years**

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.01314%	0.01257%	0.01251%	0.01235%	0.01256%	0.12560%	0.01240%	0.01360%
Proportionate share of the net pension liability	\$ 710,510	\$ 1,368,174	\$ 1,281,711	\$ 1,189,937	\$ 1,245,857	\$ 1,086,420	\$ 848,318	\$ 846,161
Covered payroll - measurement period	\$ 1,035,417	\$ 1,004,351	\$ 926,881	\$ 889,262	\$ 826,547	\$ 858,126	\$ 852,087	\$ 630,170
Proportionate share of the net pension liability as a percentage of covered payroll	68.62%	136.22%	138.28%	133.81%	150.73%	126.60%	99.56%	134.27%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%	75.31%	74.06%	78.40%	79.21%

Notes to Schedule:

Reporting valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.5% in 2015 to 7.65% in 2016 and 2017, and to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
Last 10 Years**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 195,167	\$ 172,665	\$ 155,951	\$ 174,925	\$ 150,162	\$ 139,989	\$ 130,747	\$ 100,907
Contributions in relation to the actuarially determined contributions	(195,167)	(172,665)	(155,951)	(174,925)	(150,162)	(139,989)	(130,747)	(100,907)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 1,085,593	\$ 1,035,417	\$ 1,004,351	\$ 926,881	\$ 889,262	\$ 826,547	\$ 858,126	\$ 630,170
Contributions as a percentage of covered payroll	17.98%	16.68%	15.53%	18.87%	16.89%	16.94%	15.24%	16.01%

Notes to Schedule:

Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Amortization method								
Remaining amortization period								
Asset valuation method								
Inflation	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases				Varies by entry age and service				
Payroll growth	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 36,990	\$ 36,000	\$ 30,024	\$ 29,220	\$ 28,438
Interest	83,852	79,958	61,951	59,499	57,189
Experience (gains)/losses	28,377	3,981	241,370		
Assumption changes	458,684				
Benefit payments	(74,859)	(79,186)	(43,424)	(59,354)	(42,393)
Net change in total OPEB liability	533,044	40,753	289,921	29,365	43,234
Total OPEB liability - beginning	1,290,471	1,249,718	959,797	930,432	887,198
Total OPEB liability - ending (a)	<u>\$ 1,823,515</u>	<u>\$ 1,290,471</u>	<u>\$ 1,249,718</u>	<u>\$ 959,797</u>	<u>\$ 930,432</u>
Plan fiduciary net position					
Contributions - employer	\$ 75,205	\$ 49,497	\$ 43,424	\$ 28,000	\$ 38,795
Net investment income	218,171	58,110	65,220	60,324	66,639
Benefit payments (estimate)	(74,859)	(79,186)	(43,424)	(59,354)	(42,393)
Investment gains/(losses)			5,399		
Administrative expenses	(642)	(530)	(216)	(912)	(801)
Net change in plan fiduciary net position	217,875	27,891	70,403	28,058	62,240
Plan fiduciary net position - beginning	1,101,782	1,073,891	1,003,488	975,430	913,190
Plan fiduciary net position - ending (b)	<u>\$ 1,319,657</u>	<u>\$ 1,101,782</u>	<u>\$ 1,073,891</u>	<u>\$ 1,003,488</u>	<u>\$ 975,430</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ 503,858</u>	<u>\$ 188,689</u>	<u>\$ 175,827</u>	<u>\$ (43,691)</u>	<u>\$ (44,998)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	<u>72.37%</u>	<u>85.38%</u>	<u>85.93%</u>	<u>104.55%</u>	<u>104.84%</u>
Covered-employee payroll - measurement period	<u>\$ 1,035,417</u>	<u>\$ 1,004,351</u>	<u>\$ 926,881</u>	<u>\$ 826,547</u>	<u>\$ 861,202</u>
Net OPEB liability (asset) as percentage of covered-employee payroll	<u>48.66%</u>	<u>18.79%</u>	<u>18.97%</u>	<u>(5.29%)</u>	<u>(5.23%)</u>
Notes to schedule:					
Valuation date	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	5.50%	6.50%	6.50%	6.50%	6.50%

Note: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

Benefit changes. None.

Changes in assumptions. None.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2022	2021	2020	2019	2018
Statutorily required contribution - employer fiscal year	\$ 75,205	\$ 49,497	\$ 79,186	\$ 65,512	\$ 59,354
Contributions in relation to the statutorily required contributions	(198,672)	(75,205)	(128,683)	(65,512)	(87,354)
Contribution deficiency (excess)	<u>\$ (123,467)</u>	<u>\$ (25,708)</u>	<u>\$ (49,497)</u>	<u>\$ -</u>	<u>\$ (28,000)</u>
Covered-employee payroll - employer fiscal year	\$ 1,085,593	\$ 1,035,417	\$ 1,004,351	\$ 926,881	\$ 889,262
Contributions as a percentage of covered-employee payroll	18.30%	7.26%	12.81%	7.07%	9.82%

Notes to Schedule:

Valuation date	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method		Entry-age normal, level % of pay			
Amortization method		Level dollar			
Asset valuation method		Market value of assets			
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Medical trend	6.75% to 3.75%	4.00%	4.00%	4.00%	4.00%
Discount rate	5.50%	6.50%	6.50%	6.50%	6.50%

An actuarially determined contribution rate was not calculated. The required contributions reported represent retiree premium payments.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property assessments	\$ 2,250,000	\$ 2,250,000	\$ 2,299,557	\$ 49,557
O & M reimbursement revenue from SAFCA	1,400,000	1,400,000	1,421,000	21,000
Capital contributions and grants	792,000	792,000	681,448	(110,552)
Fees for services			84,189	84,189
Use of money and property	79,000	79,000	(10,214)	(89,214)
Other revenues			35,260	35,260
TOTAL REVENUES	4,521,000	4,521,000	4,511,240	(9,760)
EXPENDITURES				
Current				
Flood protection:				
Maintenance and operations	4,694,950	4,694,950	3,836,413	858,537
Administration	1,034,301	1,034,301	1,099,964	(65,663)
Capital outlay	1,131,000	1,131,000	749,239	381,761
TOTAL EXPENDITURES	6,860,251	6,860,251	5,685,616	1,174,635
NET CHANGE IN FUND BALANCES	(2,339,251)	(2,339,251)	(1,174,376)	1,164,875
Fund balance at beginning of year	11,490,728	11,490,728	11,490,728	-
FUND BALANCE AT END OF YEAR	\$ 9,151,477	\$ 9,151,477	\$ 10,316,352	\$ 1,164,875

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

REQUIRED SUPPLEMENTARY INFORMATION

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RECLAMATION DISTRICT NO. 1000, CALIFORNIA

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Maintenance and Operations:			
Power	\$ 475,000	\$ 468,381	\$ 6,619
Herbicides	240,000	154,159	85,841
Field services	91,000	193,045	(102,045)
Field operations consultants	20,000	16,023	3,977
Materials and supplies	25,000	22,377	2,623
Refuse collection	45,000	20,463	24,537
Compensation	1,139,323	1,155,745	(16,422)
Payroll taxes	86,589	96,926	(10,337)
Group insurance	105,084	117,401	(12,317)
Dental/vision insurance	23,000	20,001	2,999
Workers' compensation insurance	31,000	20,754	10,246
Pension - defined benefit and 457 plans	262,604	206,305	56,299
Fuel	40,000	91,777	(51,777)
Equipment repairs and services	15,000	102,289	(87,289)
Equipment parts and supplies	60,000	29,634	30,366
Shop equipment (not vehicles)	5,000	762	4,238
Government fees and permits	10,000	10,226	(226)
FEMA permits	1,500		1,500
Facility repairs	527,000	541,810	(14,810)
Assessments/CAD	8,500	15,051	(6,551)
Field utilities	11,000	12,283	(1,283)
Equipment rental and other	5,000	7,960	(2,960)
Field equipment	20,000	1,292	18,708
Security patrol	35,000	28,350	6,650
FMAP - operations and maintenance	162,850	441,220	(278,370)
Capital - facilities	1,250,000	61,454	1,188,546
Other	500	725	(225)
	<u>\$ 4,694,950</u>	<u>\$ 3,836,413</u>	<u>\$ 858,537</u>
Administration:			
Office supplies	\$ 4,500	\$ 4,083	\$ 417
Computer	34,900	30,010	4,890
Liability and auto insurance	160,000	151,905	8,095
Annuitant healthcare	98,751	168,672	(69,921)
Memberships	39,700	35,105	4,595
Legal	65,000	86,929	(21,929)
Engineering/Adminstrative consultants	297,000	265,591	31,409
Public relations, legislative analyst	49,000	130,159	(81,159)
Accounting and audit services	56,800	47,488	9,312

RECLAMATION DISTRICT NO. 1000, CALIFORNIA

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL -
GENERAL FUND (Continued)

For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Administration (continued):			
Administrative services	\$ 22,000	\$ 12,995	\$ 9,005
Trustee fees	35,000	33,750	1,250
Mitigation land taxes	5,300	4,995	305
Election costs	10,000	4,570	5,430
Utilities	16,400	14,149	2,251
Office maintenance and repair	31,500	26,346	5,154
Continuing education	5,000	1,490	3,510
Payroll service	4,500	2,292	2,208
Small office and computer equipment	10,000	5,466	4,534
Government fees and permits	12,500	5,852	6,648
Assessment management fees		21,141	(21,141)
Professional development	20,500	265	20,235
Temporary administration	15,000	6,780	8,220
FMAP administration	8,150	31,630	(23,480)
Office upgrades and improvements	30,000	6,334	23,666
Other	2,800	1,967	833
	<u>\$ 1,034,301</u>	<u>\$ 1,099,964</u>	<u>\$ (65,663)</u>
Capital outlay:			
Real estate acquisition	\$ 50,000		\$ 50,000
Capital - office facility repair	30,000		30,000
Capital equipment	1,051,000	\$ 749,239	301,761
	<u>1,131,000</u>	<u>749,239</u>	<u>381,761</u>
Total expenditures	<u>\$ 6,860,251</u>	<u>\$ 5,685,616</u>	<u>\$ 1,174,635</u>

OTHER REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Reclamation District No. 1000
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Reclamation District No. 1000 (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, and have issued our report thereon dated December 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

To the Board of Trustees
Reclamation District No. 1000

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

December 6, 2022