

RECLAMATION DISTRICT NO. 2095

FINANCIAL REPORT

JUNE 30, 2024

DRAFT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Reclamation District No. 2095

Opinion

We have audited the accompanying cash basis financial statements of the governmental activities and the major fund of Reclamation District No. 2095 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of Reclamation District No. 2095, as of June 30, 2024 and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Reclamation District No. 2095, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

The District has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Schwartz, Giannini, Lantberger & Adamson

Stockton, California
September 30, 2024

RECLAMATION DISTRICT NO. 2095
Statement of Net Position - Cash Basis
June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 122,136
Total assets	<u>122,136</u>
NET POSITION	
Restricted (Note 7)	2,700
Unrestricted	<u>119,436</u>
Total net position	<u>\$ 122,136</u>

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

RECLAMATION DISTRICT NO. 2095

Statement Of Activities - Cash Basis

For the year ended June 30, 2024

	<u>Cash</u> <u>Disbursements</u>	<u>Operating</u> <u>Receipts, Grants,</u> <u>and</u> <u>Contributions</u>	<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Position</u>
Governmental activities			
Operations	\$ (78,641)	\$ -	\$ (78,641)
Net program (disbursements)	<u>(78,641)</u>	<u>-</u>	<u>(78,641)</u>
General receipts:			
Assessments			84,124
Interest income			<u>3,646</u>
Total general receipts			<u>87,770</u>
Change in net position			9,129
Net position - beginning of year			<u>113,007</u>
Net position - end of year			<u>\$ 122,136</u>

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

RECLAMATION DISTRICT NO. 2095
Balance Sheet - Governmental Fund - Cash Basis
June 30, 2024

	<u>General Fund</u>
ASSETS	
Cash in county treasury (Note 3)	\$ 94,193
Cash in bank - checking (Note 3)	<u>27,943</u>
Total assets	<u><u>122,136</u></u>
 FUND BALANCE	
Restricted (Note 7)	2,700
Unassigned	<u>119,436</u>
Total fund balance	<u><u>\$ 122,136</u></u>

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

RECLAMATION DISTRICT NO. 2095

Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balance - Governmental Fund

For the Year Ended June 30, 2024

	<u>General Fund</u>
RECEIPTS	
Assessments (Note 4)	\$ 84,124
Interest income	3,646
Total receipts	<u>87,770</u>
DISBURSEMENTS	
Accounting and administration	18,377
Dues and county fees	301
Engineering	2,141
Insurance	6,544
Repairs and maintenance	41,621
Professional services	6,296
Flood fight	2,828
Office expense	533
Total disbursements	<u>78,641</u>
Excess of receipts over disbursements	9,129
Cash basis fund balance - beginning	<u>113,007</u>
Cash basis fund balance - ending	<u><u>\$ 122,136</u></u>

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

RECLAMATION DISTRICT NO. 2095

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Reclamation District No. 2095 is a governmental entity organized by the landowners in the Tracy area of San Joaquin County and governed by an elected Board of Trustees.

The District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position –cash basis and the statement of activities –cash basis) report information on all of the cash receipts and disbursements activity of the primary government.

The statement of activities demonstrates the degree to which cash disbursements of a given function or segment is offset by program cash receipts. Cash disbursements are those that are clearly identifiable with a specific function or segment. Program cash receipts include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other receipts not classified as program receipts are presented as general receipts.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund financial statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental), which is comprised of one major fund as follows.

General fund – This fund is established to account for resources devoted to financing the general services that the District performs. State assistance and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

In the fund financial statements, fund balance for governmental funds is reported in classification that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

RECLAMATION DISTRICT NO. 2095

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable – amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained regarding use from restriction externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned – amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Trustees, District manager or their designee.

Unassigned – amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides general fund can only report a negative unassigned balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Budgetary accounting

The District does not utilize formal budgetary procedures and is not required to adopt such procedures by law. Accordingly, budgetary comparison information is not required or presented.

Measurement focus, basis of accounting, and financial statement presentation

The District accounts for governmental funds using the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when received and expenditures are recorded when paid.

Income Tax Status

Reclamation District No. 2095 is a governmental entity and not subject to federal and state income taxes.

RECLAMATION DISTRICT NO. 2095

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Related party information

The Board of Trustees is made up of landowners in the District. The Board is elected by all of the landowners within the district represented by the Board.

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 30, 2024, the date the financial statements were available to be issued.

NOTE 3. CASH AND INVESTMENTS

Cash and investments of the District as of June 30, 2024 consist of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fair Value</u>
Deposits			
Insured (FDIC)	<u>\$ 27,943</u>	<u>\$ 27,943</u>	
Investment in external investment pool			
San Joaquin County Treasurer	<u>\$ 94,193</u>		<u>\$ 94,193</u>

Total bank deposits of \$27,943 of the District were fully insured with FDIC insurance. Cash on deposit in commercial accounts is insured by the FDIC up to \$250,000 per bank. Cash on deposit with the San Joaquin County Treasurer is invested in a pooled fund maintained by the Treasurer. These funds are pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.sjgov.org/departments/ttc/treasury>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool.

RECLAMATION DISTRICT NO. 2095

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (Continued)

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District's shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents. The District is considered an involuntary participant in the pool as the State of California statutes require certain special districts to maintain their cash surplus with the County Treasurer. The investment pool is not registered with the Securities and Exchange Commission as an investment company.

The District does not maintain a formal investment policy.

NOTE 4. LANDOWNER COLLECTIONS

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

NOTE 5. LISTING OF BOARD OF DIRECTORS MEMBERS AND OFFICERS

<u>Members</u>	<u>Title</u>
Robert Pombo	Trustee
Ron Machado	Trustee
Ernest Pombo, Jr.	Trustee

NOTE 6. INSURANCE

The insurance coverage maintained by the District is summarized as follows:

General Liability	\$1,000,000/\$10,000,000
Management Liability	\$1,000,000/\$10,000,000
Excess Liability	\$1,000,000/\$1,000,000

NOTE 7. RESTRICTED NET ASSETS/FUND BALANCE

The District had \$2,700 restricted for pump repairs at June 30, 2024.