

**RECLAMATION DISTRICT NO. 784  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

**RECLAMATION DISTRICT NO. 784**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**TABLE OF CONTENTS**

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	4
Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Position.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities.....	9
Notes to Financial Statements.....	10
Supplementary Information	
Statement of Revenues, Expenses and Change in Fund Balance Budget to Actual – General Fund .....	21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	22
Letter to Management.....	24

P.O. Box 160  
Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
Reclamation District No. 784  
Arboga, California

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, and the major funds of Reclamation District No. 784 (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 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 the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and with the California State Controller's Minimum Audit Requirements and Reporting Guidelines for Special Districts.

#### *Basis for Opinions*

We conducted our audit 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 these 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 and *Government 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.

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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 20 be presented to supplement the basic financial statements. Such 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. 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023 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, 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.



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
September 5, 2023

## **RECLAMATION DISTRICT NO. 784 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Reclamation District No. 784's 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 begin on page 8.

### **FINANCIAL HIGHLIGHTS – 2022**

The District's net position includes land, infrastructure (pump stations, ditches, and canals), equipment and cash operating and reserve funds. The District's net position in the government-wide financial statements increased by \$4,829,841 or 26.06%. During the year, the District's revenue was \$8,464,342 and expenses were \$3,634,501.

The governmental fund activity reflected an increase in the overall fund balances of \$3,996,927. The District's combined governmental fund revenue was \$8,464,342 and expenditures were \$4,467,415.

As discussed in note 9 to the financial statements, net position in the statement of net position as of July 1, 2021 decreased by \$2,717,609 as a result of understatement of developer fee credits, decreased by \$1,262,474 as a result of understatement of long-term debt, and increased by \$2,300,175 as a result of understatement of fixed assets as of June 30, 2021 for a net prior period decrease of \$1,679,908.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Governmental Funds Balance Sheet/Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances and most significant funds.

### **Reporting the District as a Whole**

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and the changes in it. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

### **Reporting the District's Funds**

Governmental funds – The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can easily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operation. We describe the relationship (or differences) between governmental funds in

reconciliation at the bottom of the fund financial statements. The statements have been combined for presentation purposes.

**THE DISTRICT AS A WHOLE**

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) on the District’s governmental activities.

**Table 1  
Net Position  
(in Thousands)**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 15,546	\$ 13,255
Capital assets	<u>27,479</u>	<u>*27,035</u>
Total Assets	<u>43,025</u>	<u>*40,290</u>
Current liabilities	238	598
Long-term debt outstanding	6,370	*7,095
Other liabilities and deferred inflows	<u>13,042</u>	<u>*14,052</u>
Total Liabilities	<u>19,650</u>	<u>*21,745</u>
Net position:		
Invested in capital assets, net of debt	21,109	*19,940
Unrestricted	<u>2,266</u>	<u>*(1,395)</u>
Total Net Position	<u>\$ 23,375</u>	<u>\$*18,545</u>

\* As restated for prior-period adjustment.

**Table 2  
Changes in Net Position  
(in Thousands)**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Revenue:		
Property assessments	\$ 2,921	\$ 2,900
Plan check review fees	18	14
Miscellaneous revenue	135	119
Interest	64	78
Impact fees	4,915	*2,580
State and local grants	900	1,267
Unrealized gains (losses)	<u>(489)</u>	<u>(16)</u>
Total Revenue	8,464	*6,942
Expenses:		
Salaries and benefits	795	729
Insurance	50	35
Professional fees	198	160
Services & supplies	258	163
Maintenance and repair	970	1,109
Other	694	*967
Depreciation	<u>669</u>	<u>*665</u>
Total Expenses	<u>3,634</u>	<u>*3,828</u>
Increase in Net Position	<u>\$ 4,830</u>	<u>\$ 3,114</u>

\*As restated for prior-period adjustment.

## Governmental Activities

The revenues for the District's governmental activities as described in the Statement of Activities, increased by 42.8% (\$2,640,541) while total expenses increased by 52.9% (\$1,552,045). The increase in revenue was due to impact fees and the increase in the expenses were due to the capital outlay and the debt service on reimbursable fee credits.

As discussed in note 9 to the financial statements, the fund balance was restated due to the changes in accounting for the deferred development fees. Deferred development fees have been determined to be long term debt and do not meet the definitions for reporting on the governmental fund statements as they will not be a current use of resources. The fund balance was increased at July 1, 2021 for \$13,410,602 to reflect this change.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Income

Miscellaneous revenues & grants (aside from the assessment amounts), plan check fees, and drainage basin impact fees are one-time income items that cannot be anticipated and therefore, not budgeted. Interest income varies with account balances which vary based on completion of development projects.

#### Expenditures

Relief well repair and rehabilitation expenses continue to be substantial, as work that was delayed for many years is being accomplished. Equipment maintenance and repair costs were reduced substantially over the year, as well as levee maintenance costs.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

On June 30, 2022, the District had \$27,479,427 invested in capital assets (see Table 3).

**Table 3**  
**Capital Assets at Year-End**  
**(Net of Depreciation, in Thousands)**

	<b>Government Activities</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Equipment	\$ 235	\$ 298
Pumping plants	8,549	*9,443
Building	51	56
Detention ponds	<u>18,644</u>	<u>*17,238</u>
Total	<b><u>\$ 27,479</u></b>	<b><u>*\$ 27,035</u></b>

\* As restated for prior-period adjustment.

#### Debt

At the end of fiscal year 2021-22, the District had liabilities of \$6,608,304 outstanding versus \$7,692,311 in 2021, a decrease of 14.3%.



**Table 4  
Outstanding Debt at Year-End  
(in Thousands)**

		<b><u>Governmental Activities</u></b>	
		<b><u>2022</u></b>	<b><u>2021</u></b>
Accounts payable		\$ 128	\$ 478
Accrued expenses		110	119
Notes payable		<u>6,370</u>	<u>*7,095</u>
Total		<u>\$ 6,608</u>	<u>*\$ 7,692</u>

*\*As restated for prior-period adjustment.*

**MANAGEMENT ANALYSIS**

Management adopted expense strategies to conserve operating funds to create reserves for future operating needs including engineering, legal, permitting, repairs, emergency power bills, equipment purchases, maintenance, and testing. Occasional use of leased workers allowed management to utilize a fulltime workforce while minimizing taxes, insurance, regulatory and benefit costs.

Except as noted above, next year’s budget categories are very similar to this year’s budget. The District anticipates increased residential growth in the near term.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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 financial information, contact the District office at 1594 Broadway, Arboga, California.

**RECLAMATION DISTRICT NO. 784**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**June 30, 2022**

	Governmental Funds Balance Sheet				Statement of Net Position
	General Fund	Capital Fund	Total	Adjustments	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 250,559	\$ -	\$ 250,559	\$ -	\$ 250,559
Cash in County Investment Pool	6,612,228	8,331,627	14,943,855	-	14,943,855
Accounts Receivable	7,066	-	7,066	-	7,066
Grants Receivable	37,125	-	37,125	-	37,125
Interest Receivable	24,530	-	24,530	-	24,530
Prepaid Insurance	96,949	-	96,949	-	96,949
<b>Total Current Assets</b>	<u>7,028,457</u>	<u>8,331,627</u>	<u>15,360,084</u>	<u>-</u>	<u>15,360,084</u>
<b>NON-CURRENT ASSETS</b>					
Investment in Flood Fight Coalition Assets	-	-	-	<b>186,218</b> a	186,218
Capital Assets- net	-	-	-	<b>27,479,427</b> a	27,479,427
<b>Total Non-Current Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>27,665,645</b></u>	<u>27,665,645</u>
<b>Total Assets</b>	<u>\$ 7,028,457</u>	<u>\$ 8,331,627</u>	<u>\$ 15,360,084</u>	<u><b>27,665,645</b></u>	<u>43,025,729</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>CURRENT LIABILITIES</b>					
Personnel Costs Payable	\$ 15,157	\$ -	\$ 15,157	-	15,157
Accounts Payable	127,969	-	127,969	-	127,969
Compensated Absences	-	-	-	<b>95,352</b> b	95,352
<b>Total Current Liabilities</b>	<u>143,126</u>	<u>-</u>	<u>143,126</u>	<u><b>95,352</b></u>	<u>238,478</u>
<b>LONG-TERM LIABILITIES</b>					
Reimbursements Payable	-	-	-	<b>6,369,826</b> c	6,369,826
<b>Total Long-Term Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>6,369,826</b></u>	<u>6,369,826</u>
<b>Total Liabilities</b>	<u>143,126</u>	<u>-</u>	<u>143,126</u>	<u><b>6,465,178</b></u>	<u>6,608,304</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Income - Grant Advance	612,157	-	612,157	-	612,157
Deferred Development Fees	-	-	-	<b>12,429,388</b> c	12,429,388
<b>Total Deferred Inflows of Resources</b>	<u>612,157</u>	<u>-</u>	<u>612,157</u>	<u><b>12,429,388</b></u>	<u>13,041,545</u>
<b>FUND BALANCES</b>					
Nonspendable	96,949	-	96,949	<b>(96,949)</b>	-
Restricted	-	8,331,627	8,331,627	<b>(8,331,627)</b>	-
Unassigned	6,176,225	-	6,176,225	<b>(6,176,225)</b>	-
<b>Total Fund Balances</b>	<u>6,273,174</u>	<u>8,331,627</u>	<u>14,604,801</u>	<u><b>(14,604,801)</b></u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,028,457</u>	<u>\$ 8,331,627</u>	<u>\$ 15,360,084</u>		
<b>NET POSITION</b>					
Invested in capital assets, net of related debt and accumulated depreciation				<b>21,109,601</b>	21,109,601
Unrestricted				<b>2,266,279</b>	2,266,279
<b>Total Net Position</b>				<u><b>\$ 23,375,880</b></u>	<u>\$ 23,375,880</u>

- a - Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the
- b - Compensated absences payable applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as a fund liability
- c - Loans Payable and Deferred Development Fees applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as a fund liability.

**RECLAMATION DISTRICT NO. 784**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**  
**For the Year Ended June 30, 2022**

	General Fund			Adjustments	Statement of
	Unrestricted Fund	Capital Fund	Total		Activities Total
<b>Revenues</b>					
Property Assessments- Direct & Indirect	\$ 2,920,556	\$ -	\$ 2,920,556	\$ -	\$ 2,920,556
Impact Fees	-	4,915,519	4,915,519	-	4,915,519
State and Local Grants	917,975	328,190	1,246,165	(346,588) a	899,577
Miscellaneous Revenue	134,842	-	134,842	-	134,842
Plan Check Review Fees	18,040	-	18,040	-	18,040
Interest Income	28,492	35,902	64,394	-	64,394
Unrealized Gains (Losses)	(216,185)	(272,401)	(488,586)	-	(488,586)
<b>Total Revenue</b>	<b>3,803,720</b>	<b>5,007,210</b>	<b>8,810,930</b>	<b>(346,588)</b>	<b>8,464,342</b>
<b>Expenditures</b>					
Salaries, Wages, and Benefits	805,435	-	805,435	(9,966) b	795,469
Engineering	140,732	-	140,732	-	140,732
Professional Fees	57,062	-	57,062	-	57,062
Insurance	49,686	-	49,686	-	49,686
Telecommunications	33,824	-	33,824	-	33,824
Utilities	74,432	-	74,432	-	74,432
Office Supplies & Costs	9,006	-	9,006	-	9,006
Supplies & Tools	25,815	-	25,815	-	25,815
Fuel & Oil	40,228	-	40,228	-	40,228
Equipment Maintenance & Repair	14,918	-	14,918	-	14,918
Pump Maintenance & Repair	107,040	-	107,040	-	107,040
Levee Maintenance & Repair	605,068	-	605,068	-	605,068
Ditch & Canals Repairs	17,846	-	17,846	-	17,846
Vehicle Maintenance & Repair	7,776	-	7,776	-	7,776
Safety Equipment & Training	7,426	-	7,426	-	7,426
Flood Fight Training & Supplies	1,065	-	1,065	-	1,065
Security	17,342	-	17,342	-	17,342
Contract Services	232,784	-	232,784	-	232,784
Meetings and Memberships	5,946	-	5,946	-	5,946
Permits & Fees	8,104	-	8,104	-	8,104
Miscellaneous	25,395	108,544	133,939	-	133,939
Debt Service					
Principal	-	976,378	976,378	(976,378) f	-
Interest and Other Charges	-	-	-	579,809 d	579,809
Capital Outlay	-	1,113,961	1,113,961	(1,113,961) e	-
Depreciation Expense	-	-	-	669,184 c	669,184
<b>Total Expenditures</b>	<b>2,286,930</b>	<b>2,198,883</b>	<b>4,485,813</b>	<b>(851,312)</b>	<b>3,634,501</b>
Excess (Deficiency) of Revenues Over Expenditures:	1,516,790	2,808,327	4,325,117	504,724	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses:	1,516,790	2,808,327	4,325,117	504,724	
Change in Net Position					4,829,841
Fund Balances/Net Position, June 30, 2021	4,756,384	(7,887,302)	(3,130,918)	23,356,865	20,225,947
Prior Period Adjustment	-	13,410,602	13,410,602	(15,090,510)	(1,679,908)
<b>Fund Balances/Net Position, June 30, 2022</b>	<b>\$ 6,273,174</b>	<b>\$ 8,331,627</b>	<b>\$ 14,604,801</b>	<b>\$ 8,771,079</b>	<b>\$ 23,375,880</b>

a Receivables collected more than sixty days after fiscal year end are not considered currently available and, therefore, are not reported as a fund asset. \$346,588 reflects the 2020-2021 receivable not reported in the fund assets in the prior year.

b, c & d Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

b) Change in Compensated Absences

c) Depreciation Expense

d) Escalation Fees

e Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.

f Governmental funds report debt service payments as expenditures. However, in the statement of activities, the liability is reduced.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

Reclamation District No. 784 is a special district within the County of Yuba governed by an elected, independent five member Board of Directors. Reclamation District No. 784 was established May 6, 1908, under the General Reclamation District Law.

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note. The District has implemented the financial reporting requirements of GASB Statement Nos. 33 and 34. The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resource, and net position for all state and local governments. The District has identified liabilities which should be classified as deferred inflows of resources which are presented on the Statement of Net Position.

Reporting for a component unit can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the District's operations. Blended component units are an extension of the District, so data from these units is combined with data of the District. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the District.

There are no component units of the District which meet the criteria of either the blended or discrete presentation.

The District's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities by governmental type.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted net position.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual: The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budgets and Budgetary Accounting

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 for the ensuing fiscal year.

Unused appropriations for all annually budgeted funds lapse at the end of the year.

Budgeted amounts are the final authorized amounts as revised during the year. Budgeted amounts are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Cash and Investments

For financial statement purposes "cash and cash equivalents" includes all demand, savings accounts, certificates of deposit, or short-term investments with an original maturity of three months or less.

Interest Receivable

Interest receivable represent amounts due from Yuba County that the District has earned or been allocated, but has not received, as of June 30, 2022.

Prepaid Expenses

Prepaid expenses consist of operating expenses for which payment is due in advance and which are expensed when the benefit is received.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Inventory

Inventory is expensed as purchased. The amount on hand at June 30, 2022, was not considered significant.

Accumulated Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave which will be paid to employees upon separation from District service. The amount accumulated as of June 30, 2022, was \$95,352.

Use of Estimates

The preparation of 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 amounts.

Special Assessments

In June 1978, the District's portion of the Yuba County property taxes collected was reduced due to the passage of Proposition 13 to a level which was well below the funding needs of the District. Therefore, a resolution was passed removing the District from the tax rolls and levying a special assessment directly on the residents of the District. Collection and payment to the District of the total amount assessed is guaranteed by the County of Yuba. The collection of any delinquent assessments and any applicable interest or penalties is retained by the County of Yuba.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Useful lives are estimated as follows:

Buildings and Land Improvements	50 years
Pump Stations	30 years
Machinery	7 years

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective for the fiscal year ended June 30, 2004. Infrastructure assets include drainage ditches and holding ponds. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for phase three governments and the District has elected not to retroactively report infrastructure. The District elected to implement the general provisions of GASB Statement No. 34 as of the year ended June 30, 2004.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Deferred Inflows

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Net Position

The government-wide activities fund financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted and unrestricted.

*Invested in Capital Assets, Net of Related Debt* – This category groups all the capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted Net Position* – This category represents net position with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

**Nonspendable –**

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

**RECLAMATION DISTRICT NO. 784  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Restricted –**

This category includes resources that are subject to constraints that are externally enforceable legal restrictions.

**Committed –**

Two criteria determine the committed fund balance:

First, use of funds is constrained by limits imposed by the government’s highest level of decision making. The highest level of decision making for the District is the Board of Directors.

Second, removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints. Both commitments and modifications or removal must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

**Assigned –**

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the District, such as a District finance committee, or an official designated by the District (e.g., a general manager). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of the Board of Directors.	Yes	No
Formal action of the Board is necessary to impose, remove or modify this constraint and formal action has taken place before the end of the reporting period.	Yes	No

The Board of Directors can assign amounts under this category, and may also authorize the General Manager to assign amounts under this category when that decision is consistent with the approved long term financial plan.

**Unassigned –**

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned or restricted amounts and then unassigned or unrestricted amounts.



**RECLAMATION DISTRICT NO. 784  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2: CREDIT RISK, CARRYING AMOUNT, AND MARKET VALUE OF INVESTMENTS**

Investments of the District are summarized below. The investments that are presented by specific identifiable investment securities are classified as a credit risk by three categories as follows:

Category 1: Includes investments that are insured or registered or for which securities are held by the District or its agent in the District’s name.

Category 2: Includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust department or agent in the District’s name.

Category 3: Includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District’s name.

Most cash at June 30, 2022, is pooled for investment purposes and held by Yuba County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County. The Yuba County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District does not own any specific identifiable investments in the pool.

The investments made by the Treasurer are regulated by Article 6, Section 27131, of the California Government Code and by the County’s investment policy. Investments are monitored annually by the Treasury Oversight Committee established by the County and by the Board of Supervisors.

State law and the County’s investment policy limit investments in commercial paper to the rating of A1 by Standards & Poor’s or P1 by Moody’s Investors Services. State law and the County’s investment policy also limit investments in corporate bonds to the rating of A by Standard & Poor’s and Moody’s Investors Services. Information regarding categorization of cash and investments held in the Yuba County Treasury can be found in the County of Yuba’s financial statements. The carrying amount and fair value of pooled investments as of June 30, 2022, are as follows:

<u>Pooled Investments:</u>	Carrying Amount	Fair Value	Difference
Yuba County	\$ 15,432,246	\$ 14,943,855	\$ 450,897

The difference between the carrying value and the fair value of cash and investments was considered material to the District’s financial statements; therefore, an adjustment to fair value was made for GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* compliance. The change in fair market value from the prior year is recorded as Unrealized Gain or Loss.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2: CREDIT RISK, CARRYING AMOUNT, AND MARKET VALUE OF INVESTMENTS - Continued**

Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk, as defined by FASB Statement of Financial Accounting Standards No. 105, consist principally of cash accounts. The District places its temporary cash with creditworthy, high-quality financial institutions. At June 30, 2022, the District had no funds in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced any losses in these accounts.

**NOTE 3: GENERAL FIXED ASSETS**

The following is a summary of changes in general fixed assets of the District at June 30, 2022:

	Balances June 30, 2021	Additions	Retirements and Adjustments	Balances June 30, 2022
Equipment	\$ 966,657	\$ 14,837	\$ -	\$ 981,494
Pumping Plants	13,504,177	-	(551,577)	12,952,600
Buildings	175,681	-	-	175,681
Detention Ponds	<u>*19,816,714</u>	<u>1,099,124</u>	<u>551,577</u>	<u>21,467,415</u>
Total Assets at Historical or Estimated Cost	34,463,229	1,113,961	-	35,577,190
Less Accumulated Depreciation				
Equipment	(668,867)	(76,939)	-	(745,806)
Pumping Plants	(4,060,946)	(342,633)	-	(4,403,579)
Buildings	(119,656)	(5,119)	-	(124,775)
Detention Ponds	<u>*(2,579,110)</u>	<u>(244,493)</u>	<u>-</u>	<u>(2,823,603)</u>
Total Accumulated Depreciation	<u>*(7,428,579)</u>	<u>(669,184)</u>	<u>-</u>	<u>(7,044,536)</u>
Governmental Activities Capital Assets, Net	\$ *27,034,650	\$ (444,777)	\$ -	\$ 27,479,427

*\*As restated for prior-period adjustment.*

Depreciation expense for the year ended June 30, 2022, was \$669,184.

**NOTE 4: CHANGES IN GENERAL LONG-TERM DEBT**

At June 30, 2022, general long-term debt consisted of the following:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
TRLIA Pump #3	\$ 191,680	\$ -	\$ 10,789	\$ 180,891
TRLIA Pump #6	*1,570,497	-	198,497	1,372,000
TRLIA Pump #10	*165,734	-	63,876	101,858
Offsite Linear Detention	*1,609,727	78,393	351,608	1,336,512
Drainage Facilities	*1,947,223	94,830	-	2,042,053
Offsite Linear Detention	<u>*1,609,727</u>	<u>78,393</u>	<u>351,608</u>	<u>1,336,512</u>
Total	<u>\$ *7,094,588</u>	<u>\$ 251,616</u>	<u>\$ 976,378</u>	<u>\$ 6,369,826</u>

*\*As restated for prior-period adjustment.*

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4: CHANGES IN GENERAL LONG-TERM DEBT - Continued**

Maturities of long-term debt are as follows for the year ending June 30:

2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	<u>6,369,826</u>
Total	<u>\$6,369,826</u>

- 1) On November 7, 2007, the District signed an agreement with the Three Rivers Levee Improvement Authority (TRLIA) to provide for payments in recognition of TRLIA's reconstruction of Pump Station No. 6. Payments will be made from drainage impact fees collected until the total of such payments is \$1,583,125. At June 30, 2022, \$211,125 has been paid on this agreement.
- 2) On January 29, 2008, the District signed an agreement with the TRLIA to provide funds in recognition of TRLIA's construction of Pump Station No. 10 discharge pipe crossing of the Feather Setback Levee. Payments will be made from drainage impact fees collected until the total of such payments is \$407,823. At June 30, 2022, \$305,965 has been paid on this agreement.
- 3) On December 4, 2007, the District signed an agreement with the TRLIA to provide funds in recognition of TRLIA's relocation of Pump Station No. 3. On April 2, 2013, the District approved an amended agreement based on the State of California funding more of the cost share. Payments will be made from drainage impact fees collected until the total of such payments is \$191,680. At June 30, 2022, \$10,789 has been paid on this agreement.
- 4) On September 14, 2010, the District signed an agreement with a developer to provide funds in recognition of the developer's construction of an offsite linear detention pond in the amount of \$1,975,832, subject to accrual of annual escalation fees outlined in the 2011 Nexus study. Payments will be made from drainage impact fees collected until repaid. At June 30, 2022, \$351,608 has been paid on this agreement.
- 5) On February 5, 2008, the District signed an agreement with a developer to provide funds in recognition of the developer's construction of drainage facilities in the amount of \$1,517,706, subject to accrual of annual escalation fees outlined in the 2011 Nexus study. Payments will be made from drainage impact fees collected until repaid.
- 6) On September 14, 2010, the District signed an agreement with a developer to provide funds in recognition of the developer's construction of an offsite linear detention pond in the amount of \$1,975,832, subject to accrual of annual escalation fees outlined in the 2011 Nexus study. Payments will be made from drainage impact fees collected until repaid. At June 30, 2022, \$351,608 has been paid on this agreement.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5: DEFINED CONTRIBUTION PENSION PLAN**

Plan Description

The District's Board has adopted a Defined Contribution Pension Plan which provides retirement and benefits to plan members and beneficiaries. The name of the plan is Reclamation District No. 784 Defined Contribution Plan. The plan is administered by an independent trustee, Lincoln National Life Insurance Company.

The Plan's effective date is April 1, 2019. The Plan year is defined as a calendar year.

Eligibility

To become a participant in the plan, an eligible employee must be employed a minimum of six (6) months, but not exceeding 24 months. If more than 12 months, 100% vesting is required. Service need not be continuous (no minimum hours of service required; mere passage of time is sufficient.)

Plan Contributions

The District's monthly contribution is 12% of the base salary for each eligible employee.

Annual Pension Cost

The District's annual pension costs were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021-2022	\$50,975
2020-2021	\$41,095
2019-2020	\$42,761
2018-2019	\$31,015
2017-2018	\$27,928
2016-2017	\$29,022
2015-2016	\$28,852
2014-2015	\$25,608
2013-2014	\$19,021

The District reserves the right to change retirement plans without prior notice.

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster.

During 2021-22, the District contracted with Golden State Risk Management for liability, property, and crime damage. The policy limit is \$50,000,000 per occurrence for general liability. The policy covers Officers and Board of Trustees, Errors and Omissions, Auto Liability and Pollution Liability coverage. There is no aggregate limit on this coverage. Property coverage is all risk, replacement cost, and provides up to \$600,000 per covered loss, including physical damage to vehicles, mobile equipment, boiler, and machinery.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6: RISK MANAGEMENT – Continued**

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceed insurance coverage for the past seven years.

The District’s group health insurance program is through Anthem Blue Shield.

Workers’ compensation coverage is maintained by paying premiums to the Golden State Risk Management Authority. The premium is calculated based upon accident history and administrative costs.

**NOTE 7: DEVELOPERS’ DEPOSITS AND REIMBURSEMENTS**

The District acts as a fiduciary for various developers in Reclamation District No. 784. The funds are deposited by various developers to meet their obligation under the Reclamation District No. 784 Master Drainage Plan to ensure that the drainage systems are fully funded and built.

At June 30, 2022, the District was holding the following developers’ fees, deferred fee credits and funds for administration, engineering and contingencies:

Developer Fees	\$4,486,039
Construction Improvements and Deferred Credits	\$7,943,349

The construction improvements and deferred credits are subject to accrual of annual escalation fees outlined in the 2011 Nexus study.

The District has been collecting developer deposits for the Master Drainage Plan since fiscal year 2003-2004. During this period of time various developers have transferred their interests in various developments to other developers. The records of which deposits have been utilized are kept by the District but the subsequent developers must rely upon the District’s accounting for these deposits, as previous developers have not shared that information with them. Accordingly, subsequent developers cannot provide third-party verification of the District’s accounting for deposits.

**NOTE 8: CONSTRUCTION COMMITMENT**

The District is replacing a pipe at Horseshoe Unit 5. The total estimated cost to complete the construction is \$366,450. At June 30, 2022, no payments have been made on the contract.

**RECLAMATION DISTRICT NO. 784**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

During fiscal year 2021-2022, the District performed an analysis of the contracts and agreements for the deferred developer fee credits, the reimbursements payable and the related construction improvements. This analysis determined that adjustments should be made for the fee escalation on the repayment amounts and construction assets received. Due to this analysis the net position in the statement of net position as of July 1, 2021 decreased by the net amount of \$1,679,908. This was a result of the following:

- Understatement of developer fee credits of \$2,717,609
- Understatement of fixed assets \$2,300,175
- Understatement of long-term debt of \$1,262,474

This adjustment had no effect on revenue or expenses during the 2021-22 fiscal year, but affected prior years as follows:

FYE June 30	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	0	0	0	0	0	0	0	0	0	940,805
Expenses	38,404	270,207	38,404	312,181	191,209	253,722	204,947	240,583	352,549	393,412
Net Impact	38,404	270,207	38,404	312,181	191,209	253,722	204,947	240,583	352,549	547,393

With the additional analysis it was determined that under the modified basis of accountant current resource model for the governmental activities that the deferred development fees should not be included as a long-term liability. Due to this change in accounting the fund balance on the governmental fund activities was increased \$13,410,602.

Future payments on long term debt and deferred credits will be reported as expenditures in the District’s governmental fund statements and a reduction of the liability in the District’s government-wide statements.

**NOTE 11: SUBSEQUENT EVENTS**

Events subsequent to June 30, 2022 have been evaluated through September 5, 2023, the date at which the District’s audited financial statements were available to be issued. With the exception of the matters below, no other material subsequent events required recognition or additional disclosure in these financial statements.

In August 2022, the District entered into an agreement for Unit 4 slip out repairs for \$126,991.

In September 23, 2022, the Central Valley Flood Protection Board adopted the Department of Water Resources Statement of Necessary Work to form a State Maintenance Area for operation and maintenance of the District’s rural levees (Units 3B, 5, and 6), and directed Central Valley Flood Protection staff to proceed with the State Maintenance Area formation. At the time of this report, the State Maintenance Area formation process is ongoing.

SUPPLEMENTARY INFORMATION

**RECLAMATION DISTRICT NO. 784**  
**Statement of Revenues, Expenses, and Change in Fund Balance, Budgeted to Actual**  
**General Fund Unrestricted**  
**For the Year Ended June 30, 2022**

	Final Amended Budget	Actual	Variance Over (Under) Budget
<b>Revenues</b>			
Property Assessments- Direct & Indirect	\$ 3,116,121	\$ 2,920,556	\$ (195,565)
State and Local Grants	1,723,470	917,975	(805,495)
Miscellaneous Revenue	-	134,842	134,842
Plan Check Review Fees	15,000	18,040	3,040
Interest Income	-	28,492	28,492
Unrealized Gains (Losses)	-	(216,185)	(216,185)
Total Revenue	4,854,591	3,803,720	(1,050,871)
<b>Expenditures</b>			
Salaries and Benefits	941,212	805,435	(135,777)
Engineering	208,000	140,732	(67,268)
Professional Fees	112,000	57,062	(54,938)
Insurance	57,186	49,686	(7,500)
Telecommunications	35,000	33,824	(1,176)
Utilities	114,500	74,432	(40,068)
Office Supplies & Costs	16,800	9,006	(7,794)
Shop Supplies & Costs	16,000	25,815	9,815
Fuel & Oil	40,000	40,228	228
Equipment Maintenance & Repair	22,500	14,918	(7,582)
Pump Maintenance & Repair	322,870	107,040	(215,830)
Levee Maintenance & Repair	1,409,416	605,068	(804,348)
Ditch & Canal Repairs	149,069	17,846	(131,223)
Vehicle Maintenance & Repair	22,500	7,776	(14,724)
Safety Equipment & Training	20,067	7,426	(12,641)
Flood Fight Training & Supplies	8,000	1,065	(6,935)
Security	65,000	17,342	(47,658)
Fixed Asset Acquisition	24,000	-	(24,000)
Contract Services	82,000	232,784	150,784
Meetings & Memberships	21,000	5,946	(15,054)
Permits & Fees	12,000	8,104	(3,896)
Miscellaneous	1,723,471	25,395	(1,698,076)
Total Expenditures	5,422,591	2,286,930	(3,135,661)
Change in Net Position Before Allocation	(568,000)	1,516,790	\$ 2,084,790
Allocation Between Funds	-	-	
Change in Net Position	(568,000)	1,516,790	
Fund Balance, June 30, 2021	4,756,384	4,756,384	
Fund Balance, June 30, 2022	\$ 3,620,384	\$ 6,273,174	

See the accompanying notes to financial statements



P.O. Box 160  
Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

**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 Directors  
Reclamation District No. 784  
Arboga, 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. 784 (RD 784), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the RD 784’s basic financial statements, and have issued our report thereon dated September 5, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the RD 784’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RD 784’s internal control. Accordingly, we do not express an opinion on the effectiveness of the RD 784’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 entity’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 the 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. 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 or significant deficiencies may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the RD 784's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
September 5, 2023

P.O. Box 160  
Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

September 5, 2023

Board of Directors  
Reclamation District No. 784  
Arboga, California

Dear Ladies and Gentlemen,

The audit went very smoothly this year after a bit of a rough start. The assistance from the outside accountant in preparing for the audit and the preparation of the financial statements was a great help to us again this year. The additional analysis of the deferred developer deposits, credits and payables required some time to address in the audit footnotes and the prior period adjustment made. The footnote disclosures explain what the change was and why the District made the changes.

In planning and performing our audit of the financial statements of Reclamation District No. 784 (the District) for the year ended June 30, 2022, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. We previously reported on the District's internal control in our report dated September 5, 2023. This letter does not affect that report or the report on the financial statements dated September 5, 2023. The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

We would like to thank your staff for their assistance in completing this audit. We wish you continued success in the current year.

Sincerely,



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California