

*Mendocino County Russian River Flood Control &
Water Conservation Improvement District*

STAFF REPORT

**Agenda Item 7: Financial Statements & Independent Auditors' Report for Fiscal Year 2022-2023
Monday, March 4, 2024**

The Strategic Plan relevant priority is **Administration** through sound and sustainable management of District finances.

Discussion

The Board is invited to provide comments and questions on the Draft Financial Statements & Independent Auditor's Report for Fiscal Year 2022-2023. The Board may approve the draft and direct GM to finalize or provide further direction to the GM and consider approval at a future meeting.

Recommended Action:

- (1) Direct General Manager to communicate with Auditor any questions and comments on the Draft Financial Statements & Independent Auditor's Report for Fiscal Year 2022-2023 and present updated Draft Report to the Board at a future meeting for approval;

Or

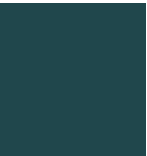

- (2) Move to approve the Draft Financial Statements & Independent Auditor's Report for Fiscal Year 2022-2023 and direct General Manager to sign the management representation letter and other documents necessary for finalization.

Attachments:

- o Draft Financial Statements & Independent Auditor's Report for Fiscal Year 2022-2023

* * * *

Prepared and submitted to the Board of Trustees by: *Elizabeth Salomone, General Manager*



**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2023
(With Comparative Amounts as of June 30, 2022)**

NIGRO & NIGRO^{PC}

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

For the Fiscal Year Ended June 30, 2023

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino County Russian River Flood Control & Water Conservation Improvement District
Ukiah, California

Opinion

We have audited the accompanying financial statements of the Mendocino County Russian River Flood Control & Water Conservation Improvement District (District), which comprise the balance sheet as of June 30, 2023, and related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the 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 financial position of the District as of June 30, 2023, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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 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 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, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and Schedule of the District's Contributions to the Pension Plan 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 15, 2024, 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 the effectiveness of the District's 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.

Walnut Creek, California
January 15, 2024

Management's Discussion and Analysis

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

Management's Discussion and Analysis (MD&A) offers readers of Mendocino County Russian River Flood Control & Water Conservation Improvement District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to-prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased 4.54% or \$50,021 from \$1,101,237 to \$1,051,216
- The District's total operating and non-operating revenues increased 4.95% or \$21,928 from \$442,658 to \$464,586, primarily from the increase in water sales.
- The District's total expenses increased 21.67% or \$91,664 from \$422,943 to \$514,607, primarily due to a \$89,085 increase in employee benefits.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial stability of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate net position and credit worthiness. The other required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments for the fiscal period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did funds come from, what was funds used for, and what was the change in funds balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

These two statements report the District's net position and changes to it. The District's net position is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, non-financial factors such as changes in economic conditions, population growth, zoning and the regulatory landscape needs to be taken into consideration when measuring the District's financial health.

Condensed Balance Sheets

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,084,988	\$ 1,083,245	\$ 1,743
Capital assets, net	47,426	61,121	(13,695)
Total assets	<u>1,132,414</u>	<u>1,144,366</u>	<u>(11,952)</u>
Deferred outflows of resources	<u>46,819</u>	<u>23,868</u>	<u>22,951</u>
Total assets and deferred outflows of resources	<u>\$ 1,179,233</u>	<u>\$ 1,168,234</u>	<u>\$ 10,999</u>
Liabilities:			
Current liabilities	\$ 53,880	\$ 43,013	\$ 10,867
Non-current liabilities	71,872	19,662	52,210
Total liabilities	<u>125,752</u>	<u>62,675</u>	<u>63,077</u>
Deferred inflows of resources	<u>2,265</u>	<u>4,322</u>	<u>(2,057)</u>
Net position:			
Investment in capital assets	47,426	61,121	(13,695)
Unrestricted	1,003,790	1,040,116	(36,326)
Total net position	<u>1,051,216</u>	<u>1,101,237</u>	<u>(50,021)</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 1,179,233</u>	<u>\$ 1,168,234</u>	<u>\$ 10,999</u>

As noted earlier, net position may serve over time as a useful indicator of an agency's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$1,051,216 as of June 30, 2023.

A portion of the District's net position (5% as of June 30, 2023) reflects the District's investment in capital assets (net of accumulated depreciation). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal year 2023, the District showed a positive balance in its unrestricted net position of \$1,003,790.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Operating revenues	\$ 374,233	\$ 350,454	\$ 23,779
Operating expenses	<u>(395,968)</u>	<u>(278,887)</u>	<u>(117,081)</u>
Operating income before depreciation	(21,735)	71,567	(93,302)
Depreciation expense	<u>(20,939)</u>	<u>(21,960)</u>	<u>1,021</u>
Operating income	(42,674)	49,607	(92,281)
Non-operating revenues(expenses), net	<u>(7,347)</u>	<u>(29,892)</u>	<u>22,545</u>
Change in net position	(50,021)	19,715	(69,736)
Net position:			
Beginning of year	<u>1,101,237</u>	<u>1,081,522</u>	<u>19,715</u>
End of year	<u><u>\$ 1,051,216</u></u>	<u><u>\$ 1,101,237</u></u>	<u><u>\$ (50,021)</u></u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years.

A closer examination of the sources of changes in net position reveals that:

The District's net position decreased 4.54% or \$50,021 from \$1,101,237 to \$1,051,216.

The following tables present detailed breakdowns of the information presented in the condensed summary.

Total Revenues

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Water sales	<u>\$ 374,233</u>	<u>\$ 350,454</u>	<u>\$ 23,779</u>
Total operating revenues	<u>374,233</u>	<u>350,454</u>	<u>23,779</u>
Non-operating:			
Property taxes	62,376	58,950	3,426
Shared costs reimbursment	17,658	37,601	(19,943)
Investment earnings	<u>10,319</u>	<u>(4,347)</u>	<u>14,666</u>
Total non-operating	<u>90,353</u>	<u>92,204</u>	<u>(1,851)</u>
Total revenues	<u><u>\$ 464,586</u></u>	<u><u>\$ 442,658</u></u>	<u><u>\$ 21,928</u></u>

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues (continued)

The District's total operating and non-operating revenues increased 4.95% or \$21,928 from \$442,658 to \$464,586 primarily from the increase in water sales.

Total Expenses

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Salaries and wages	\$ 150,300	\$ 140,583	\$ 9,717
Employee benefits	71,324	(17,761)	89,085
Facilities and operations	8,761	9,121	(360)
General and administrative	155,031	138,413	16,618
Insurance	10,552	8,531	2,021
Total operating expenses	<u>395,968</u>	<u>278,887</u>	<u>117,081</u>
Depreciation expense	20,939	21,960	(1,021)
Non-operating expenses:			
USGS JFA payments	28,950	28,346	604
IWPC JPA payments	68,750	93,750	(25,000)
Total non-operating	<u>97,700</u>	<u>122,096</u>	<u>(24,396)</u>
Total expenses	<u>\$ 514,607</u>	<u>\$ 422,943</u>	<u>\$ 91,664</u>

The District's total expenses increased 21.67% or \$91,664 from \$422,943 to \$514,607, primarily due to a \$89,085 increase in employee benefits.

Capital Assets

The following provides a summary comparison of the District's capital assets at year end.

	<u>Balance June 30, 2023</u>	<u>Balance June 30, 2022</u>
Capital assets:		
Depreciable assets	\$ 147,784	\$ 140,540
Accumulated depreciation	<u>(100,358)</u>	<u>(79,419)</u>
Total capital assets, net	<u>\$ 47,426</u>	<u>\$ 61,121</u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$47,426 (net of accumulated depreciation). The District's investment in capital assets includes land, transmission and distribution systems, tanks, pumps, buildings, equipment, vehicles and construction-in-process. See Note 3 for further capital asset information.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT

This financial report is designed to provide the District's customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Contact the District's General Manager at (707) 462-5278 with any questions.

Basic Financial Statements

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Balance Sheets

June 30, 2023 (With Comparative Information as of June 30, 2022)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,007,699	\$ 1,068,717
Accrued interest receivable	3,923	919
Accounts receivable	45,863	9,494
Property taxes receivable	<u>27,503</u>	<u>4,115</u>
Total current assets	<u>1,084,988</u>	<u>1,083,245</u>
Non-current assets:		
Capital assets – being depreciated, net (Note 3)	<u>47,426</u>	<u>61,121</u>
Total non-current assets	<u>47,426</u>	<u>61,121</u>
Total assets	<u>1,132,414</u>	<u>1,144,366</u>
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 5)	<u>46,819</u>	<u>23,868</u>
Total deferred outflows of resources	<u>46,819</u>	<u>23,868</u>
Total assets and deferred outflows of resources	<u>\$ 1,179,233</u>	<u>\$ 1,168,234</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,390	\$ 28,244
Long-term liabilities – due within one year:		
Compensated absences (Note 4)	<u>12,490</u>	<u>14,769</u>
Total current liabilities	<u>53,880</u>	<u>43,013</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 4)	12,491	14,769
Net pension liability (Note 5)	<u>59,381</u>	<u>4,893</u>
Total non-current liabilities	<u>71,872</u>	<u>19,662</u>
Total liabilities	<u>125,752</u>	<u>62,675</u>
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 5)	<u>2,265</u>	<u>4,322</u>
Total deferred inflows of resources	<u>2,265</u>	<u>4,322</u>
Net position:		
Investment in capital assets	47,426	61,121
Unrestricted	<u>1,003,790</u>	<u>1,040,116</u>
Total net position	<u>1,051,216</u>	<u>1,101,237</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,179,233</u>	<u>\$ 1,168,234</u>

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2023

(With Comparative Information for the Fiscal Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water sales	\$ 374,233	\$ 350,454
Total operating revenues	<u>374,233</u>	<u>350,454</u>
Operating expenses:		
Salaries and wages	150,300	140,583
Employee benefits	71,324	(17,761)
Facilities and operations	8,761	9,121
General and administrative	155,031	138,413
Insurance	<u>10,552</u>	<u>8,531</u>
Total operating expenses	<u>395,968</u>	<u>278,887</u>
Operating income(loss) before depreciation	(21,735)	71,567
Depreciation expense	<u>(20,939)</u>	<u>(21,960)</u>
Operating income(loss)	<u>(42,674)</u>	<u>49,607</u>
Non-operating revenues(expenses):		
Property taxes	62,376	58,950
Shared costs reimbursment	17,658	37,601
Investment earnings(loss)	10,319	(4,347)
USGS JFA payments	(28,950)	(28,346)
IWPC JPA payments	<u>(68,750)</u>	<u>(93,750)</u>
Total non-operating revenue(expense), net	<u>(7,347)</u>	<u>(29,892)</u>
Change in net position	(50,021)	19,715
Net position:		
Beginning of year	<u>1,101,237</u>	<u>1,081,522</u>
End of year	<u>\$ 1,051,216</u>	<u>\$ 1,101,237</u>

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2023

(With Comparative Information for the Fiscal Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 337,864	\$ 345,472
Cash paid to employees for salaries and wages	(196,701)	(149,659)
Cash paid to vendors and suppliers for materials and services	<u>(161,198)</u>	<u>(159,780)</u>
Net cash provided by (used in) operating activities	<u>(20,035)</u>	<u>36,033</u>
Cash flows from non-capital financing activities:		
Shared costs reimbursement	17,658	37,601
JFA and JPA payments	(97,700)	(122,096)
Proceeds from property taxes	<u>38,988</u>	<u>58,790</u>
Net cash used in non-capital financing activities	<u>(41,054)</u>	<u>(25,705)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(7,244)</u>	<u>(3,174)</u>
Net cash used in capital and related financing activities	<u>(7,244)</u>	<u>(3,174)</u>
Cash flows from investing activities:		
Investment earnings	<u>7,315</u>	<u>(4,866)</u>
Net cash provided by (used in) investing activities	<u>7,315</u>	<u>(4,866)</u>
Net increase(decrease) in cash and cash equivalents	(61,018)	2,288
Cash and cash equivalents:		
Beginning of year	<u>1,068,717</u>	<u>1,066,429</u>
End of year	<u><u>\$ 1,007,699</u></u>	<u><u>\$ 1,068,717</u></u>

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Statements of Cash Flows (continued)

For the Fiscal Year Ended June 30, 2023

(With Comparative Information for the Fiscal Year Ended June 30, 2022)

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:		
Operating income(loss)	\$ (42,674)	\$ 49,607
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:		
Depreciation	20,939	21,960
Change in assets - (increase)decrease:		
Accounts receivable, net	(36,369)	(4,982)
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net pension liability	(22,951)	866
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	13,146	(3,715)
Net pension liability	54,488	(45,170)
Compensated Absences	(4,557)	13,616
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to net pension liability	(2,057)	3,851
Total adjustments	<u>22,639</u>	<u>(13,574)</u>
Net cash provided by (used in) operating activities	<u>\$ (20,035)</u>	<u>\$ 36,033</u>

Notes to the Financial Statements

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

On January 30, 1956 in their resolution No. 1983, the board of supervisors of Mendocino County declaring the results of a special election upon the proposition of a formation of an Improvement District within the Mendocino County Flood Control and Water Conservation District, to be known as the “Mendocino County Flood Control and Water Conservation Improvement District” (the District), and the incurring of the bonded indebtedness in the principal amount of \$650,000 and for the election of the first trustees of said District, and declaring and ordering the formation of said District. It is governed by a Statutory Authority G.L. 1949 Chapter 995.

The District was established by the County of Mendocino via statutory formation process set forth by Act 4830. Proceeds of the 1957 bond issue in the amount of \$650,000 were used to help finance the construction of Coyote Dam. In exchange for the fund proceeds, the District recovered rights to a portion of the water storage capacity held in Coyote Dam.

The district mission is to steward water resources for the benefit of the people and environment of Mendocino County.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization’s governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, where the intent of the District is that the costs of providing goods and services (including depreciation expense) on a continuing basis be financed or recovered primarily through user charges.

The 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operating activities of the District. The District reports the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operating activities of the District. All other expenses are reported as non-operating expenses.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Investments recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

2. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of contribution. It is the District's policy to capitalize assets costing over \$2,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Depreciation lives of meters and equipment are seven years.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources until then. Also, the statement of net position reports a separate section for deferred inflows of resources. This element represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources until that time.

5. Compensated Absences

The District's employee benefits provide for accumulation of vacation and sick leave. Liabilities for vacation leave are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination.

6. 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 California Public Employees' Retirement System (CalPERS) plans and addition 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS's website. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2020 to June 30, 2022

7. Net Position

Net position is classified into two components: investment in capital assets and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "investment in capital assets".

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the reported period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents were classified on the balance sheet as follows:

<u>Description</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash and cash equivalents	<u>\$ 1,007,699</u>	<u>\$ 1,068,717</u>
Total cash and cash equivalents	<u>\$ 1,007,699</u>	<u>\$ 1,068,717</u>

Cash and cash equivalents as of June 30th consisted of the following:

<u>Description</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Demand deposits held with financial institutions	\$ 515,676	\$ 576,711
Local Agency Investment Fund (LAIF)	<u>492,023</u>	<u>489,718</u>
Total cash and cash equivalents	<u>\$ 1,007,699</u>	<u>\$ 1,066,429</u>

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2023, the carrying amount of the District's demand deposits was \$515,676 and the financial institution's balance was \$518,722. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by public agencies 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests its funds to manage the State's cash flow and strengthen the financial security of local public agencies. PMIA's policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and has a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers funds in LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the District held \$492,023 in LAIF.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2023

NOTE 3 – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Changes in capital asset amounts for the fiscal year ended June 30, 2023, were as follows:

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Depreciable assets:				
Equipment and vehicles	\$ 140,540	\$ 7,244	\$ -	\$ 147,784
Total depreciable assets	<u>140,540</u>	<u>7,244</u>	<u>-</u>	<u>147,784</u>
Accumulated depreciation:				
Equipment and vehicles	(79,419)	(20,939)	-	(100,358)
Total accumulated depreciation	<u>(79,419)</u>	<u>(20,939)</u>	<u>-</u>	<u>(100,358)</u>
Total depreciable assets, net	<u>61,121</u>	<u>(13,695)</u>	<u>-</u>	<u>47,426</u>
Total capital assets, net	<u>\$ 61,121</u>	<u>\$ (13,695)</u>	<u>\$ -</u>	<u>\$ 47,426</u>

NOTE 4 – COMPENSATED ABSENCES

Changes in compensated absences amounts for the fiscal year ended June 30, 2023, was as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
\$ 29,538	\$ 14,538	\$ (19,095)	\$ 24,981	\$ 12,490	\$ 12,491

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2023</u>
Pension related deferred outflows	\$ 46,819
Net pension liability	59,381
Pension related deferred inflows	2,265

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.8% to 2%	1.0% to 2.0%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates – FY 2022	10.340%	7.590%

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN (continued)

B. General Information about the Pension Plan (continued)

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2022 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	-	1	1
Transferred and terminated members	1	1	2
Retired members and beneficiaries	-	-	-
Total plan members	1	2	3

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). Benefit provisions under the Plans are established by state statute and District 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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. 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 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees’ Retirement Law.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

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 both 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.

Contributions for the year ended June 30, 2023, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 5,835	\$ 10,232	\$ 16,067
Contributions – members	-	8,816	8,816
	<u>\$ 5,835</u>	<u>\$ 19,048</u>	<u>\$ 24,883</u>

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense

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

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2022:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 355,370	\$ 350,477	\$ 4,893
Balance as of June 30, 2022 (Measurement Date)	\$ 418,273	\$ 358,892	\$ 59,381
Change in Plan Net Pension Liability	<u>\$ 62,903</u>	<u>\$ 8,415</u>	<u>\$ 54,488</u>

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District’s proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2023	June 30, 2022	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Percentage of Risk Pool Net Pension Liability	0.001269%	0.000258%	0.001011%
Percentage of Plan (PERF C) Net Pension Liability	0.000514%	0.000090%	0.000424%

For the year ended June 30, 2023, the District recognized pension expense/(credit) of \$45,547. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 16,067	\$ -
Difference between actual and proportionate share of employer contributions	971	(1,467)
Adjustment due to differences in proportions	11,627	-
Differences between expected and actual experience	1,192	(798)
Differences between projected and actual earnings on pension plan investments	10,877	-
Changes in assumptions	6,085	-
Total Deferred Outflows/(Inflows) of Resources	\$ 46,819	\$ (2,265)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

An amount of \$16,067 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 year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2024	\$ 9,772
2025	7,883
2026	4,179
2027	6,653
Total	<u>\$ 28,487</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN (continued)

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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

<u>Investment Type¹</u>	<u>New Strategic Allocation</u>	<u>Real Return^{1,2}</u>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

¹ An expected inflation of 2.30% used for this period..

² Figures are based on the 2021 Asset Liability Management study.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 5 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -	Current Discount	Discount Rate +
	1% 5.90%	Rate 6.90%	1% 7.90%
CalPERS – Miscellaneous Plan	\$ 116,399	\$ 59,381	\$ 12,469

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2023, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2023

NOTE 6 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an IRS Code Section 457 Deferred Compensation Program. The purpose of this program is to provide deferred compensation for public employees that elect to participate in the program. Eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little involvement and does not perform the investing function for this program, the assets and related liabilities are not shown on the accompanying financial statements.

NOTE 7 – JOINT POWERS AUTHORITY (JPA) AND JOINT FUNDING AGREEMENT (JFA)

The Inland Water & Power Commission (IWPC) was formed as a Joint Powers Authority (JPA) to educate and advocate for the water resources in our region. The JPA is not a component unit of the District. \$93,750 was paid to the IWPC during the fiscal year for the Potter Valley Project relicensing planning agreement feasibility study, and other ongoing expenses for legal counsel and consultants. The District is expensing these costs as they are incurred.

The District has a Joint Funding Agreement (JFA) with the United State Department of the Interior- Geological Survey (USGS), for cooperative water resources investigation in Mendocino County. The JFA dated November 1, 2020 and was accepted by the District on January 5, 2020. Total JFA costs for the fiscal year were \$28,950 under this agreement, a portion of which is reimbursed by the North Gualala Water Company.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
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Notes to Financial Statements

June 30, 2023

NOTE 8 – RISK MANAGEMENT POOL

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

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess coverage. Further information about the SDRMA is as follows:

A. Entity	SDRMA	
B. Purpose	To pool member contributions and realize the	
C. Participants	As of June 30, 2023 – 499 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2023:		
Property/Liability policy	\$6,085	
F. Condensed financial information	June 30, 2023	
Statement of net position:		June 30, 2023
Total assets		\$ 146,574,993
Deferred outflows		<u>1,664,198</u>
Total liabilities		<u>76,343,471</u>
Deferred inflows		<u>374,517</u>
Net position		<u>\$ 71,521,203</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 100,884,445
Total expenses		<u>(96,706,371)</u>
Change in net position		4,178,074
Beginning – net position		<u>66,343,129</u>
Ending – net position		<u>\$ 70,521,203</u>
G. Member agencies share of year-end financial position	Not Calculated	

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – RISK MANAGEMENT POOL (continued)

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$2,500,000 per loss includes public employee dishonesty, forgery, or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials' personal liability up to \$2,500,000 each occurrence, with an annual aggregate per each elected/appointed official to which this coverage applies, subject to the terms.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 15, 2024 the date which the financial statements were available to be issued.

Required Supplementary Information

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**

*Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2023*

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.000382%	\$ 26,412	\$ 118,928	22.21%	79.88%
June 30, 2015	0.000382%	24,335	120,093	20.26%	84.79%
June 30, 2016	0.000382%	33,095	105,000	31.52%	82.72%
June 30, 2017	0.000403%	40,010	105,000	38.10%	80.17%
June 30, 2018	0.000407%	39,263	117,500	33.42%	83.28%
June 30, 2019	0.000436%	44,697	105,000	42.57%	84.17%
June 30, 2020	0.000460%	50,063	105,000	47.68%	83.87%
June 30, 2021	0.000090%	4,893	109,167	4.48%	98.62%
June 30, 2022	0.000514%	59,381	117,081	50.72%	85.80%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT**
*Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2023*

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 13,740	\$ (13,740)	\$ -	\$ 120,093	11.44%
June 30, 2016	7,201	(7,201)	-	105,000	6.86%
June 30, 2017	8,045	(8,045)	-	105,000	7.66%
June 30, 2018	9,191	(9,191)	-	117,500	7.82%
June 30, 2019	9,608	(9,608)	-	105,000	9.15%
June 30, 2020	13,111	(13,111)	-	105,000	12.49%
June 30, 2021	15,218	(15,218)	-	109,167	13.94%
June 30, 2022	16,606	(16,606)	-	117,081	14.18%
June 30, 2023	16,067	(16,067)	-	119,859	13.40%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (2.0%@60), 52 years (2.0%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first implementation year; therefore, only nine years are shown.

Other Independent Auditors' Reports



**INDEPENDENT AUDITORS' 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**

Board of Directors
Mendocino County Russian River Flood Control & Water Conservation Improvement District
Ukiah, 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 Mendocino County Russian River Flood Control & Water Conservation Improvement District (District), which comprise the balance sheet as of June 30, 2023, the related statement of revenues, expenses and changes in net position and statement of cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2024.

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 to determine the 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. 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 of 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 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 results 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.

Walnut Creek, California
January 15, 2024