

LITTLE EGBERT JOINT POWERS AGENCY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

WITH INDEPENDENT AUDITORS' REPORTS THEREON

Year Ended June 30, 2022

LITTLE EGBERT JOINT POWERS AGENCY

2450 Venture Oaks Way Suite 240

Sacramento, California 95833

Email: info@LEJPA.org

Year Ended June 30, 2022

BOARD OF TRUSTEES

Elected Officials

Trustees

**Four-Year Term
Expires**

Richard Harris, Chair

December 2025

Bob Wagner, Trustee

December 2025

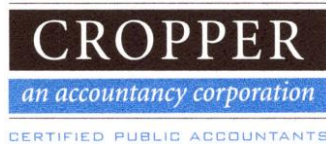
DISTRICT MANAGEMENT

**General Manager
Financial Manager**

**Eric Nagy
Derek Larsen**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Little Egbert Joint Powers Agency
Sacramento, California

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund as applicable, and the aggregate remaining fund information of Little Egbert Joint Powers Agency, (LEJPA) as of June 30, 2022 and the related notes to the financial statements, which collectively comprise LEJPA'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 governmental activities, each major fund, and the aggregate remaining fund information of LEJPA as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LEJPA 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 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 LEJPA'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 LEJPA'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 LEJPA'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 all schedules presented in the Required Supplementary Information (as shown in the table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2023, on our consideration of LEJPA'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 solely 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 LEJPA'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 LEJPA's internal control over financial reporting and compliance.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
September 18, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management Discussion and Analysis

Little Egbert Joint Powers Agency

Board of Directors

September 2023

Little Egbert Joint Powers Agency (California) provides this Management Discussion and Analysis of the District Financial Position and strategic direction for the District Fiscal Year of July 1, 2021 to June 30, 2022 (FY 21-22).

The Little Egbert Joint Powers Agency (LEJPA) was created in October 2020 between Reclamation District (RD) 2084 and RD 536 for the purpose of advancing and implementing the Little Egbert Multi-Benefit Project (LEMBP). RD 2084 encompasses the Little Egbert tract; RD 536 encompasses the Egbert Tract and lies directly west of RD 2084. In FY 21-22 Little Egbert Joint Powers Agency focused effort on advancing the Little Egbert Multi-Benefit Project (Project). LEJPA has been supported in this effort through member agency contributions and a grant from the California Natural Resources Agency.

The Agency made progress towards completing a Feasibility Study through the CNRA grant. The grant was amended during FY 21-22 to increase the value from \$2.5 million to \$5 million. The Agency agreed to an amended scope of work with the technical team, and directed the team continue efforts to complete the study by September of 2023.

Looking forward to FY 22-23, the Agency will continue its mission of advancing the Little Egbert Multi-Benefit Project. The Agency will coordinate with other local agencies with interest in the project as well as state and federal agencies. The Agency will also seek sources of funding for the next stage of Project development.

The attached audit and financial reports are designed to provide a general overview into the Agency finances and to show accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact Derek Larsen, District Financial Manager at (916) 919-3644.



BASIC FINANCIAL STATEMENTS

LITTLE EGBERT JOINT POWERS AGENCY

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
ASSETS:	
Cash in County Treasury	\$ 339,168
Proposition 68 CRNA grant receivable	<u>277,786</u>
Total assets	<u>\$ 616,954</u>
LIABILITIES AND NET POSITION	
LIABILITIES:	
Accounts payable and accrued expenses	\$ 428,915
Seed funding repayable to member agency	<u>300,715</u>
Total liabilities	729,630
NET POSITION -	
Unrestricted	<u>(112,676)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 616,954</u>

See independent auditors' report and notes to these financial statements

LITTLE EGBERT JOINT POWERS AGENCY

Statement of Activities
Year Ended June 30, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES:				
Multi-benefit project	\$ 2,027,870	\$ -	\$ 1,847,625	\$ (180,245)
 GENERAL REVENUES:				
Interest				1,503
 CHANGE IN NET POSITION				(178,742)
 NET POSITION, BEGINNING OF YEAR				66,066
 NET POSITION, END OF YEAR				\$ (112,676)

See independent auditors' report and notes to these financial statements

LITTLE EGBERT JOINT POWERS AUTHORITY

Balance Sheet - Governmental Fund

June 30, 2022

	<u>Governmental Fund</u>
ASSETS	
ASSETS -	
Cash in County Treasury	\$ <u>339,168</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued expenses	\$ 428,915
FUND BALANCE -	
Unassigned	<u>(89,747)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 339,168</u>

See independent auditors' report and notes to these financial statements

LITTLE EGBERT JOINT POWERS AGENCY
Reconciliation of the Balance Sheet of
Governmental Fund to the Statement of Net Position
June 30, 2022

TOTAL GOVERNMENTAL FUND BALANCE	\$ <u>2022</u> (89,747)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES BUT NOT INCLUDED IN THE GOVERNMENTAL FUND:	
Nonfinancial resources -	
Long term payables - Seed funding repayable to member agency	<u>(300,715)</u>
Grant receivable not collected within 90 days after year end	<u>277,786</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(112,676)</u>

See independent auditors' report and notes to these financial statements

LITTLE EGBERT JOINT POWERS AGENCY
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Fund
Year Ended June 30, 2022

	<u>Governmental Fund</u>
REVENUES:	
Grants and contributions	\$ 1,938,469
Interest	<u>1,503</u>
Total revenues	<u>1,939,972</u>
 EXPENDITURES:	
Multi-benefit Project:	
Operations	1,500
Administration	309,440
Capital outlay and maintenance	<u>1,716,930</u>
Total expenditures	<u>2,027,870</u>
 CHANGE IN FUND BALANCE	 (87,898)
 FUND BALANCE, BEGINNING OF YEAR	 <u>(1,849)</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ (89,747)</u></u>

See independent auditors' report and notes to these financial statements

LITTLE EGBERT JOINT POWERS AGENCY
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance
 to the Statement of Activities
 Year Ended June 30, 2022

	<u>2022</u>
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (87,898)
AMOUNTS REPORTED IN GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION IS DIFFERENT BECAUSE:	
Governmental fund receivables are reflected on a current financial resources basis in the fund financial statements:	
Noncurrent grant revenue - current year	277,786
Seed funding from member agency not expected to be repaid within one year	(300,715)
Noncurrent grant revenue from the prior year collected in the current year	<u>(67,915)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (178,742)</u>

See independent auditors' report and notes to these financial statements

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

1. THE ORGANIZATION AND REPORTING ENTITY

The Sacramento Area Flood Control Agency commissioned a Feasibility Study for the Little Egbert Tract, with the cooperation of the State of California Department of Water Resources (DWR). The Feasibility Study recommended implementation of a multi-benefit project on the Little Egbert Tract, which will deliver significant new habitat creation and regional flood risk reduction benefits in the area located within the Yolo Bypass, immediately upstream from Rio Vista, California in Solano County, as well as widen and strengthen the Reclamation District No. 536 levee.

In October 2020 and under the Joint Exercise of Powers Act, a Joint Powers Agreement (the Agreement) was executed by the Member Agencies (Reclamation District No. 536 and Reclamation District No. 2084), creating the Little Egbert Joint Powers Agency (LEJPA) to implement the multi-benefit project.

LEJPA is a legal entity separate from the member agencies pursuant to Government Code section 6507. The liabilities of LEJPA shall not be liabilities of the individual member agencies. LEJPA may exercise common powers of its Member Agencies to implement the multi-benefit project and finance, construct, and operate public capital improvements and provide services to serve territory within the jurisdictions of the agencies which form the joint powers entity. Funding for the multi-benefit project was provided in 2021 by Reclamation District No. 2084 (the District) in a seed funding agreement, wherein the District provided up to \$700,000 in available funding (Account #1), as a loan to be repaid in the future. Subsequent to June 30, 2022, the funding agreement was amended and restated to state both parties intend to treat the first \$256,200 drawn down on Account #1 as grant funding, with no repayment expected. Thereafter, all seed money drawn down will be considered a loan to be repaid when and if LEJPA has the means to repay it. Any amounts outstanding as of June 30, 2031 will be deemed forgiven. In addition, a second loan of up to \$800,000 (Account #2) was provided.

The California Natural Resources Agency (CNRA), in partnership with DWR, has awarded \$5 million in state bond funding to LEJPA to engage local stakeholders, continue advancing technical studies, and undertake preliminary steps in project planning and design. Subsequent to June 30, 2022, an amended grant agreement with CRNA was executed increasing funding another up to another \$5,000,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The accounts of LEJPA are organized on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounting for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. LEJPA uses only one fund, the General Fund, to record the results of its operations.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

Government-wide financial statements – LEJPA’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for LEJPA.

The government-wide statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of LEJPA’s assets and liabilities, including long term receivables and payable and capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain types of transactions are reported as program revenues for LEJPA in three categories:

- Charges for services (including fines and forfeitures)
- Operating grants and contributions
- Capital grants and contributions

Governmental Fund financial statements – Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all governmental funds aggregated. LEJPA presented one major governmental fund which is the General Fund. The General Fund is the general operating and maintenance fund of LEJPA. It is used to account for all financial resources.

Governmental fund financial statements are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Generally, revenues are considered available if they are collected within 90 days after fiscal year end. If revenues are not subject to accrual, they are recorded when received in cash. The primary sources, which have been treated as susceptible to accrual are intergovernmental grants and revenues. Expenditures are generally recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the “available” criteria for recognition in the current period. Unearned revenues arise when LEJPA receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when the recognition criteria are met or when the government has a legal claim to the resources, these unavailable revenues are removed from the balance sheet and the revenues are recognized.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

Reconciliations of the Fund Financial Statements to the Government-wide Financial Statements are provided to explain the differences.

As LEJPA does not operate on a fee-for-service basis, but rather from grants and contributions, the accompanying financial statements are presented as a governmental fund basis, rather than on a proprietary fund basis.

Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, it is LEJPA's policy to first apply restricted net position first.

Periodically may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is LEJPA's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Cash in County Treasury

LEJPA's cash is pooled with the Solano County Treasury. The balance in the account is available for immediate expenditure or withdrawal where each dollar invested represents one dollar of beneficial ownership in the pooled cash and cash equivalent fund. Such funds are invested according to Government Code and optimize safety, liquidity, and yield, while providing immediate funds availability.

Net Position

In the government-wide financial statements, Net Position may be classified in the following categories:

- **Net Investment in Capital Assets** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributable to the acquisition, construction, or improvement of the assets. LEJPA has no net position related to net investment in capital assets as of June 30, 2022.
- **Restricted Net Position** – This amount is restricted by external grantors, contributors, creditors, or laws and regulations of other governments. LEJPA has no restricted net position as of June 30, 2022.
- **Unrestricted Net Position** – This amount is all Net Position that do not meet the definition of “net investment in capital assets” or “restricted net position”.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

Fund Balances

In the Fund Financial Statements, governmental funds report nonspendable fund balances for amounts that are not available for appropriation and restricted fund balances for amounts that are legally restricted by outside parties for use for a specific purpose. In accordance with generally accepted accounting principles, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. Fund balance is classified into five categories: *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.

As of June 30, 2022, the Board of Trustees has not adopted a fund balance policy in accordance with GASB 54. As such, there are no assigned and/or committed fund balances as of June 30, 2022.

Fund balance classifications under GASB 54 requirements are described as follows:

- **Nonspendable Fund Balance** – for funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** – for funds that are mandated for specific purposes by external parties, constitutional provisions, or enabling legislation.
- **Committed Fund Balance** – for funds set aside for specific purposes by LEJPA’s highest level of decision-making authority (Board of Trustees) pursuant to formal action taken, such as a majority vote or resolution. Committed funds cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. Board of Trustee action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements.
- **Assigned Fund Balance** – Funds that are constrained by LEJPA’s intent to be used for specific purposes but are neither restricted nor committed.
- **Unassigned Fund Balance** – The residual positive net resources of the general fund in excess of what can properly be classified in one of the above four categories.

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 expenses during the reporting period. Actual results could differ from those estimates.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

Budgets and Budgetary Accounting

State law does not require LEJPA's governing board to adopt a budget. LEJPA's governing board adopts a budget each year, which is used as a management tool. Amendments are approved by the governing board to reprioritize project spending when necessary.

Capital Assets

LEJPA defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital asset costs are classified as construction in progress until such assets are completed and placed into service, at which time LEJPA begins recording depreciation expense using the straight-line method on depreciable capital assets. There were no capitalizable costs incurred during the year ended June 30, 2022.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized.

Unearned Revenue

Resource inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue. Capital contribution revenue from LEJPA's expenditure-driven grants and from other contributors such as landowners is recognized only when qualifying expenditures are incurred or the rental period begins. There was no unearned revenue as of June 30, 2022.

Capital Contributions

LEJPA receives expenditure-driven restricted capital grants from DWR. Capital grants and contributions are recognized as capital contributions earned when the related allowable expenditures are incurred.

Contributions of donated noncash, nonland assets are recorded at estimated acquisition value in the period received as in-kind contributions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. LEJPA has no deferred outflows of resources as of June 30, 2022.

In addition to liabilities, the statement of net position will sometimes report 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 future period(s) and, accordingly, will not be recognized as an inflow of resources (revenue) until such time. LEJPA has no deferred inflows of resources as of June 30, 2022.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

Subsequent Events

Management has evaluated subsequent events through September 18, 2023, the date on which the financial statements were available to be issued. Based on such evaluation, no additional adjustments to or disclosures in the financial statements were deemed necessary.

3. CASH AND INVESTMENTS

Cash and investments at June 30, 2022 consist of the following:

Pooled cash and investments in County Treasury	\$	<u>2022</u> 339,168
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LEJPA has not adopted an investment policy but relies on the Solano County Treasury to maintain investments in accordance with the California Government Code 53600 et seq. The external investment pool with the Solano County Treasury is described as follows:

Solano County Treasury

The County Treasury pools funds with those of the County, local school districts, and various other special districts and invests the cash. The County Treasury is managed in accordance with applicable State codes and for the benefit of the pool participants. The County makes every reasonable effort to maintain the composition of the Treasury Pool within an acceptable risk-return policy. To achieve and maintain this profile, the County may direct investment purchases or sales to adjust credit risk, interest rate risk, liquidity risk, or other risks inherent in investment pools. The pool is not registered as an investment company with the Securities and Exchange Commission.

The share of each fund in the County Treasury is separately accounted; interest is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total pool. Investment gains and losses are proportionately shared by the participants as increases or reductions in earnings. LEJPA reports pooled cash and investments in the accompanying financial statements according to the apportioned share of the pool by the County Treasury. The County values its investments according to the fair value hierarchy or amortized cost for investments not within the hierarchy as described below.

The funds maintained in the County Treasury are either secured by federal depository insurance or are collateralized.

The County Treasury is overseen by the Board of Supervisors, pursuant to Government Code, and must adhere to an annual investment policy that prohibits investments that have the possibility of returning a zero or negative yield if held to maturity.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

Investments Authorized by the County's Investment Policy

The County invests in investment types authorized for the entity by the California Government Code 53601. The County Treasury invests money market mutual funds, certificates of deposit, the State of California Local Agency Investment Fund (LAIF), corporate debt securities, U.S. Government agency notes and securities, and municipal bonds. In accordance with the California Government Code, any investment with a maturity in excess of five years requires the express authorization of the County's Board of Supervisors. The County Treasury has purchased and continues to hold municipal investments with final maturities in excess of five years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. The County manages its exposure to declines in fair value by:

- Structuring the portfolio so securities mature to meet the cash requirements of the pool participants and laddering call dates and maturities.
- Maintaining a portion of the investment portfolio in short term investments (1 year or less to maturity), which have a minimum interest rate risk.

As of June 30, 2022, the weighted average maturity of the County Treasury was 311 days.

Credit Risk

Credit Risk is the risk of loss due to the failure or credit downgrade of an issuer or backer. State law limits investments in commercial paper and corporate bonds to the top two rating categories issued by nationally recognized statistical rating organizations. The County Treasury policy mitigates its exposure to credit risk by:

- Limited purchases to "investment grade securities"
- Diversifying the portfolio so the failure or downgrade of an individual security will have a minimal impact on the portfolio as a whole
- Performing ongoing reviews of economic or financial conditions that may impact the credit of a single issuer or a market segment of issues
- When the County Treasurer deems necessary, an in-depth analysis on the credit quality of an individual issuer within the portfolio will be conducted. Based on the findings, the County Treasurer may elect to retain the securities in question or sell them.

Concentration of Credit Risk

The County's investment policy has no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. As of June 30, 2022, the

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

County Treasury has three separate investments in any one issuer that represent 5.0% or more of the total investments in the County (other than money market mutual funds, U.S. Treasury securities, or external investment pools). For further detailed information, we refer you to the audited financial statements the County of Solano.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. LEJPA and the California Government Code do not contain legal or policy requirements that would limit their exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

- The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

All bank deposits as of June 30, 2022 are insured by the Federal Depository Insurance Corporation (FDIC).

Fair Value Measurements

The County's investment pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active
- Level 3: Investments reflect prices based upon unobservable sources

When available quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

For investments classified within Level 2 of the fair value hierarchy, the County's custodians generally use asset market prices derived from closing bid prices as of the last business day of the month as supplied by Interactive Data Services.

Deposits and withdrawals in investment pools, such as LAIF, are reported on an amortized cost basis of \$1 per share and not fair value. Accordingly, the County's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

The County is proportionately invested at June 30, 2022 according to the fair value hierarchy as follows:

- Level 1 – 35%
- Level 2 – 56%
- Level 3 – 0%
- Investments not subject to Fair Value Hierarchy – 9%

The total of the County Treasury pooled investments as of June 30, 2022 is \$1,858,026,049.

4. NEW GASB ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this statement is to improve financial reporting. This statement defines a Public-Private and Public-Public Partnership (PPP) as an arrangement where a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which is defined as a PPP in which (1) the operator collects and is compensated by fees from third parties, (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in the statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period time in an exchange or exchange-like transaction.

A transferor should generally recognize an underlying PPP asset in financial statements prepared using the economic resources measurement focus; however, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term. This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statement prepares using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

LITTLE EGBERT JOINT POWERS AGENCY

Notes to Basic Financial Statements

Year Ended June 30, 2022

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Since LEJPA does not have any such arrangements, this Statement has no effect on LEJPA's financial reporting.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement (1) defines a subscription-based information technology arrangement (SBITA), (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established in GASB Statement No. 98, Leases. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 (fiscal 2023). Earlier application is encouraged. LEJPA does not believe the requirements of this statement will have a significant impact on LEJPA's financial statements.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The primary objective of this Statement is to increase consistency and comparability related to the reporting of fiduciary component units without a governing board, and for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This Statement requires that a potential component unit without a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. In addition, this Statement requires that a Section 457 plan be classified as either a pension plan or an other-employee benefit plan depending on whether the plan meets the definition of a pension plan, and clarifies that Statement 84 should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. This Statement also supersedes the remaining provisions of Statement No. 32 – Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and requires that investments of all Section 457 plans be measured as of the end of the plan's reporting period. The requirements of this Statement related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The remaining parts of this Statement are effective immediately. This Statement has no effect on LEJPA's financial reporting.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report.* The objective of this Statement is to replace the previous term and acronym for the Comprehensive Annual Financial Report (CAFR) with the Annual Comprehensive Financial Report (ACFR). This Statement is effective beginning FY 2021-22. LEJPA has implemented this change in its current Annual Comprehensive Financial Report.

RECLAMATION DISTRICT 2084, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

GASB Statement No. 99 – Omnibus 2022. The primary objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. These issues include clarifications of provisions and terminology updates in the following previous pronouncements: Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 87 - *Leases*; Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96 - *Subscription-Based Information Technology Arrangements*; Statement No. 34 - *Basic Financial Statements and Management’s Discussion and Analysis—for State and Local Governments*; Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement has various effective dates for each provision and has no effect on LEJPA's financial reporting.

GASB Statement No. 100 – Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. “Accounting changes” are defined in GASB Statement No. 100 as changes in accounting principles, changes in estimates, and changes to or within the financial reporting entity. Changes in accounting principles and estimates are only warranted when a new principle or methodology is determined to be preferable to that which was in use prior to the change, based on the qualitative characteristics of financial reporting. The Statement specifies whether prospective or retrospective implementation is required for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. It has minimal or no effect on LEJPA’s financial reporting.

GASB Statement No. 101 – Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement applies to recognition of the following types of compensated absences (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Recognition of a liability should occur for leave that has not been used if all of the following are met (1) the leave is attributable to services already rendered by an employee, (2) the leave accumulates and is carried forward over multiple reporting periods whereby it may be used, paid or settled, and (3) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The disclosure requirements for compensated absences have been amended to require only the net change in the liability for compensated absences be disclosed rather than the gross increases and decreases as previously required. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. It has minimal or no effect on LEJPA’s financial reporting.

RECLAMATION DISTRICT 2084, CALIFORNIA

Notes to Financial Statements
Years Ended June 30, 2022 and 2021

5. RELATED PARTY TRANSACTIONS AND FUNDING AGREEMENT

LEJPA and Reclamation District No. 2084 and Reclamation District No. 536 each share one common board member with LEJPA, and, as such, each special district is considered a related party for financial reporting purposes.

Funding for the multi-benefit project was provided in 2021 by Reclamation District No. 2084 (the District) in a seed funding agreement, wherein the District provided up to \$700,000 in available funding (Account #1), as a loan to be repaid in the future. Subsequent to June 30, 2022, the funding agreement was amended and restated to state both parties intend to treat the first \$256,200 drawn down on Account #1 as grant funding, with no repayment expected. Thereafter, all seed money drawn down will be considered a loan to be repaid when and if LEJPA has the means to repay it. Any amounts outstanding as of June 30, 2031 will be deemed forgiven on that date. In addition, a second loan of up to \$800,000 (Account #2) was provided in the revised agreement. Any proceeds drawn down on Account #2 are to be repaid in the future with funds expected from a funding agreement with LEJPA and California Department of Water Resources. Amounts outstanding as of June 30, 2031, will be deemed forgiven on that date. The agreement does not provide for interest on outstanding amounts and is unsecured.

In accordance with the seed money agreement (Account #1), Reclamation District No. 2084 provided funding of \$500,000 and \$67,915 to LEJPA in support of LEMBP during the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, seed funding repayable to the District was \$300,915. LEJPA recognized grant revenue from the District during the years ended June 30, 2021 and 2021 of \$199,285 and \$67,915, respectively, on a government-wide basis.

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE EGBERT JOINT POWERS AGENCY
Schedule 1 - Revenues and Expenditures of Governmental Fund
Budget and Actual - General Fund
Year Ended June 30, 2022

	Governmental Fund		
	Adopted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Contribution from member agency	\$ 300,000	\$ 567,915	\$ 267,915
Proposition 68 CRNA grant revenue	2,375,000	1,370,554	(1,004,446)
Interest	-	1,503	1,503
	<u>2,675,000</u>	<u>1,939,972</u>	<u>(735,028)</u>
EXPENDITURES:			
Multi-benefit Project:			
Services and supplies	2,750	1,500	1,250
Administration	339,296	309,440	29,856
Capital project expenses	2,224,400	1,716,930	507,470
	<u>2,566,446</u>	<u>2,027,870</u>	<u>538,576</u>
CHANGE IN FUND BALANCE	108,554	(87,898)	(1,273,604)
FUND BALANCE, BEGINNING OF YEAR	<u>(1,849)</u>	<u>(1,849)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 106,705</u>	<u>\$ (89,747)</u>	<u>\$ (1,273,604)</u>

LITTLE EGBERT JOINT POWERS AGENCY
Schedule 2 - Expenditures of Governmental Fund- Budget and Actual
Year Ended June 30, 2022

	Governmental Fund		
	Adopted Budget	Actual	Variance Favorable (Unfavorable)
SERVICES AND SUPPLIES:			
Computers/software/website	\$ 1,500	\$ 1,500	\$ -
FMA dues	90	-	90
ASFPM dues	160	-	160
Liability insurance	1,000	-	1,000
	<u>\$ 2,750</u>	<u>\$ 1,500</u>	<u>\$ 1,250</u>
ADMINISTRATIVE SERVICES:			
Administrative support	\$ 93,600	\$ 157,524	\$ (63,924)
Legal support	78,000	40,658	37,342
Accounting support	56,000	-	56,000
County Treasury services	1,200	1,017	183
Auditing services	8,496	-	8,496
Lobbyist support	102,000	110,241	(8,241)
	<u>\$ 339,296</u>	<u>\$ 309,440</u>	<u>\$ 29,856</u>
CAPITAL PROJECT EXPENSES:			
Element 1: Planning, coordination, and outreach	\$ 291,000	\$ 259,484	\$ 31,516
Element 2: Assessment and data collection	1,740,000	1,455,963	284,037
Element 3: Development of draft and final evaluation	90,000	1,483	88,517
Element 4: Grant administration	103,400	-	103,400
	<u>\$ 2,224,400</u>	<u>\$ 1,716,930</u>	<u>\$ 507,470</u>

RECLAMATION DISTRICT NO. 2084, CALIFORNIA

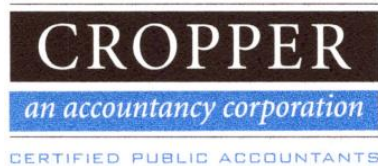
Note to Schedules 1 and 2 – Budgetary Data

Year Ended June 30, 2022

1. BUDGETARY DATA

LEJPA adopts an annual budget for the General Fund for each fiscal year. Budgets are adopted on a basis consistent with generally accepted government accounting principles. The adopted budget for 2021-2022 is presented in these financial statements. There were no amendments to the original budget.

OTHER REPORT



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**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**

To the Board of Trustees of
Little Egbert Joint Powers Agency
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, each major fund as applicable, and the aggregate remaining fund information of Little Egbert Joint Powers Agency (LEJPA), which comprise LEJPA's basic financial statements as listed in the Table of Contents, as of June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LEJPA'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 LEJPA's internal control. Accordingly, we do not express an opinion on the effectiveness of LEJPA's internal control over financial reporting.

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 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 internal control over financial reporting 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 identified one deficiency in internal control that we consider to be a material weakness as described below.

Year-end Accounting Close and Preparation of the Financial Statements

LEJPA relies upon the external auditors to make year-end trial balance adjustments and prepare the financial statements with related report disclosures, in order to reflect the financial statements in accordance with generally accepted accounting principles (GAAP). Such practice is common within the governmental industry; however, relying upon external auditors is an external control, not an internal control, over financial reporting. Audit standards require auditors to characterize such reliance on external parties as a material weakness when there are material audit adjustments and added disclosures.

Financial Policies

Currently, LEJPA has documented key accounting policies and procedures for certain business processes such as cash receipts and disbursements, which are vital on the cash basis of accounting. Such policies and procedures are part of an effective system of internal control over financial reporting, strengthening the control environment.

We recommend that LEJPA consider documenting the following policies and procedures that will include, but not be limited to, the following:

- *The monthly accounting close and journal entries and accrual accounting*
- *Investment policy*
- *Capitalization policy and capital project accounting*
- *Balance sheet account reconciliations*
- *Revenue recognition including grant billing and grant compliance*
- *General computer controls including access, data backup, and physical security*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LEJPA'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
September 18, 2023