

Mendocino County

Russian River Flood Control & Water Conservation Improvement District

151 Laws Avenue Suite D, Ukiah, CA 95482 707.462.5278 Website: RRFC.net DistrictManager@rrfc.net

A G E N D A

Board of Trustees – Regular Meeting of Monday, October 3, 2022

Closed Session: 5:00 pm Public Session: 5:30 pm

IN COMPLIANCE WITH ASSEMBLY BILL 361, THIS MEETING CAN BE VIEWED LIVE VIA ON ZOOM.

Call in: (669) 900-9128

Meeting ID: 811 2748 9402

Passcode: 95482

Link: <https://us02web.zoom.us/j/81127489402?pwd=aExuS2YwcklQMTljYTVPpRFFjaWdEQT09>

1. Call to Order and Roll Call
2. Approval of Agenda *Urgent items added may be discussed immediately. Time suggestions to the right of item title.*

CLOSED SESSION (5:00 PM)

3. CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION
Gov. Code § 54956.9(d) *Significant exposure to litigation: (2 potential cases)*

PUBLIC SESSION (5:30 PM)

4. Public Expression- See End of Agenda for Information on Public Expression

PUBLIC HEARING (5:35 PM)

5. Declaration #22-01 Water Warning (5:35 PM)
Board will hold a public hearing pursuant to CA Water Code Section 350 to consider declaring Stage III Water Warning within its boundaries, and a finding and determination that under current and forecasted conditions, the District's supply and/or distribution system will be unable to meet all water demands of its Customers through direct diversion and use of stored water reserves will be required. The hearing will provide an opportunity for public comment, questions, and protests to be heard by the Board.

ITEMS FOR DISCUSSION AND POSSIBLE ACTION:

6. Water Supply Conditions Update & District Response (5:50 PM)
Board will receive report and provide feedback and/or direction to General Manager.
7. Water Resiliency Planning (6:05 PM)
Board will receive report and provide feedback and/or direction to General Manager.
8. Fiscal Year 2020-2021 Audit of Financial Statements (6:15 PM)
Board will consider approval of the Audit and/or provide direction to General Manager.

(Continued....)

REGULAR BUSINESS, INFORMATION, AND REPORT ITEMS (6:35 PM)

9. Consent Calendar

- a) Acceptance of the September 2022 Financial Report
- b) Approval of July 18, 2022, Special Board Meeting minutes
- c) Approval of September 12, 2022, Regular Board Meeting minutes
- d) Approval of letter to State Social Security Administrators Office regarding tax withholdings
- e) Approval of Resolution #22-03 Authorizing the State of California Social Security Program for California Public Agencies
- f) State of Emergency

Board to reconsider the circumstances of the state of emergency and determine by majority vote that (i) The state of emergency continues to directly impact the ability of the members to meet safely in person; and/or (ii) State or local officials continue to impose or recommend measures to promote social distancing as previously passed in Board Resolution #21-04.

10. Trustee & Committee Reports

11. General Manager Report & Correspondence

12. Direction on Future Agenda Items

ADJOURNMENT

ACTION ITEMS – All agenda items are potential action items unless otherwise noted.

PUBLIC EXPRESSION – The Board welcomes public participation in its Board meetings. Comments shall include any item not on the agenda that is within the subject matter jurisdiction and authority of the District. No action may be taken on any item not appearing on the agenda; however, the Board may direct such items to be placed on the agenda of a future meeting or may request additional information on any such item. The Board may limit testimony to three (3) minutes per person and not more than ten (10) minutes for a particular subject. All items on the agenda are considered action items unless otherwise noted. All times and the order of business are approximate and subject to change.

President
Christopher Watt

Vice President
Alfred White

Treasurer
Matthew Froneberger

Trustee
Tyler Rodrigue

Trustee
John Reardan

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

STAFF REPORT

To: Board of Trustees
From: E. Salomone, General Manager
Meeting: Monday, October 3, 2022
RE: Agenda Item 5: PUBLIC HEARING
For Approval of Declaration #22-01 Water Warning

The Strategic Plan relevant priorities are: **Security** through improved river and reservoir operations to protect stored water resources; **Advocacy** through improved public awareness; and **Use** through effective and beneficial use of water as a public resource.

Background

The District passed three Declarations in 2021 addressing increasingly at-risk water supply conditions. It is currently under Declaration #21-03, Stage IV - Water Crisis, passed on May 17, 2021. An update to the Declaration would provide further clarity to customers, constituents, and the public. GM Salomone and Legal Counsel presented DRAFT Declaration #22-01 Stage III: Water Warning at the September 12, 2022 Board meeting and no edits were requested. A Public Notice was issued at least 7 days prior to the Board considering approval of the Declaration, as required.

Significant changes to the previous Declaration include:

- Updates to reflect the current drought status and water supply conditions.
- Removal of reference to 2021 specific conditions such as the minimum storage target of Lake Mendocino reservoir and specific regulations needed under the higher level Stage including diversion scheduling.
- Inclusion of reference to the Upper Russian River Voluntary Water Sharing Program.
- Update of water supply availability to District contract customers from “insufficient storage” to “insufficient direct diversion and a reliability on stored water.”
- Removal of specific amount of stored water to reserve for use in 2021.
- Inclusion of a moratorium on water transfers other than for emergency water supply.

PUBLIC HEARING

The Board will hold a public hearing pursuant to CA Water Code Section 350 to consider declaring Stage III Water Warning within its boundaries, and a finding and determination that under current and forecasted conditions, the District’s supply and/or distribution system will be unable to meet all water demands of its Customers through direct diversion and use of stored water reserves will be required. The hearing will provide an opportunity for public comment, questions, and protests to be heard by the Board.

Recommended Action:

Move to approve Declaration #22-01 Stage III: Water Warning

Attachments:

- Declaration #22-01 Stage III: Water Warning
- Public Hearing Notice
- Proof of Publication of Public Hearing Notice

Declaration #22-01

of the

Mendocino County Russian River Flood Control & Water Conservation Improvement District

Declaring Stage III: Water Warning Pursuant to California Water Code Section 350

WHEREAS:

1. The Mendocino County Russian River Flood Control & Water Conservation Improvement District (District) holds the right to 7,940 acre-feet of Project Water stored in Lake Mendocino.
2. On April 21, 2021 the California Governor issued a proclamation that a state of emergency exists in Mendocino and Sonoma Counties due to severe drought conditions in the Russian River Watershed. Additional proclamations were issued on May 10, July 8, and October 19, 2021, expanding to statewide and directed state agencies to take immediate action to preserve critical water supplies and mitigate the effects of drought and ensure the protection of health, safety, and the environment.
3. On March 28, 2022 the California Governor issued [Executive Order No. 7-22](#), meant to provide guidance on emergency drought relief. The executive order (EO) states that the “21st century to date has been characterized by record warmth and predominantly dry conditions, and the 2021 meteorological summer in California and the rest of the western United States was the hottest on record” and “the ongoing drought will have significant, immediate impacts on communities with vulnerable water supplies, farms that rely on irrigation to grow food and fiber, and fish and wildlife that rely on stream flows and cool water.”
4. In July 2021, the California Governor called on Californians to voluntarily reduce their water use by 15%. At the end of March 2022 after the state failed to meet its 15% goal, the Governor issued an Executive Order calling on local water agencies to escalate their response to the ongoing drought.
5. The State Water Resources Control Board approved two [Water Conservation Emergency Regulations](#) effective January 18, 2022 and June 10, 2022 including a statewide ban on watering of non-functional turf in the commercial, industrial and institutional sectors as well as regulations requiring local agencies to implement water use restrictions amid the possibility that water supplies may be up to 20% lower due to extreme weather.
6. As of September 5, 2022 the water supply in Lake Mendocino is 44,504 acre-feet, which is 63% of the target water supply curve.
7. In accordance with provisions in the [Order](#) approving the 2022 Sonoma County Water Agency (Sonoma Water) Temporary Urgency Change Petition of June 2022, minimum flow requirements for the Upper Russian River are 25 cubic feet per second which is approximately 1,500 acre-feet per month.

8. Precipitation in the Upper Russian River has been below normal for three years and is currently 55% of average.
9. The Board of Trustees (Board) has found and determined that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply of the distributor to the extent that there may be insufficient water for human consumption, sanitation, and fire protection while meeting a reasonable carryover in the reservoir.
10. In accordance with Judgement No. 42059 issued by the Superior Court for the County of Mendocino, the District may notify Redwood Valley County Water District in writing of the unavailability of surplus water.
11. The Board has been working cooperatively with its customers, the State Water Resources Control Board (Water Board), Sonoma Water Agency, the Russian River Drought Response Group, and others.
12. Given the severity of the water shortage in the Russian River, it is essential that the priority of water rights in the Russian River watershed be enforced to protect and preserve the water supply available to the District and its customers.
13. The District is enrolled in the 2022 [Upper Russian River Water Sharing Program](#), a locally driven approach for addressing water shortages through demand management that provides an alternative to curtailment of water diversion and use. The Program is currently suspended due to insufficient water supply.
14. The Board held a public hearing on September 12, 2022 at which its customers had an opportunity to be heard and comment on the declaration and to present their respective needs.
15. Notice of the time and place of the hearing was published pursuant to Section 6061 of the Government Code at least seven days prior to the date of hearing in a newspaper printed, published, and circulated within the area in which the water supply is distributed.
16. The Board heard and fully considered all verbal and written public comment including the General Manager's report and recommendations at the Regular Board Meeting on September 12, 2022, as well as all testimony and comments submitted during the public hearing held at that Board Meeting.

NOW, THEREFORE, the District Board hereby declares as follows:

- Under current and forecasted conditions, the District's supply and/or distribution system will not be able to meet all water demands of its Customers through direct diversion due to reduced surface water availability in the Upper Russian River. Project Water previously stored in Lake Mendocino will be required to meet customer demand for 2022 water use.
- In an effort to extend current supplies of water and minimize the effects of the current and possible future water supply shortage, the Board is calling for:

1. Public agency and retail water supply customers to implement drought contingency and other measures as outlined in the California Governor's Executive Order No. 7-22 and the State Water Board's two Water Conservation Emergency Regulations and be prepared to prioritize diversions for public health and safety and fire suppression; and
 2. All District customers to take immediate action in complying with the California Governor's call for a voluntary 15% demand reduction, utilizing the resources available at www.SaveOurWater.com and www.SavingWaterPartnership.org.
- All water available to the District in 2022 under its water right has been, or will be, under contract to customers for beneficial use on lands situated within the District place of use and such amount will be insufficient to meet all requested District water demands; therefore, the Board declares no surplus water, defined by Judgement No. 42059 as that portion of the District's water right not put to beneficial use within lands situated in the District, is available for purchase by Redwood Valley County Water District.
 - The District will work with its customers and others in the watershed, including Redwood Valley County Water District, in an attempt to secure public health and safety supplies.
 - The District will work with the Water Board and others to ensure that water right priorities are respected in order to protect the surface water supply available to the customers of the District.
 - The Board hereby adopts a moratorium on applications for new water supply contracts, other than change of ownership, including increased contract quantities to existing Uniform Water Supply & Purchase Agreements, until the Board determines water supply conditions have improved sufficiently.
 - The Board hereby adopts a moratorium on water transfer amendments to Uniform Water Sale and Purchase Agreements other than those making water available for emergency water supply agreements.
 - A Russian River watershed-wide approach to the water supply shortage, drought condition response, and water system stewardship is needed through coordination with all water users in the Upper Russian River watershed.
 - The Board acknowledges that this Declaration and future regulations and restrictions on delivery and consumption of water may conflict with the provisions of its Uniform Water Sale & Purchase Agreement; however, pursuant to California law, this Declaration and any regulations and restrictions adopted pursuant to California law shall prevail over the provisions of the Uniform Water Supply Contract for the duration of the period of emergency.
 - The Board will continue to monitor and maximize water availability but recognizes that water supply conditions will continue to change and intends to be agile in its approach and response to changed conditions.
 - This Declaration supersedes all prior drought declarations by the Board.

District Staff is directed to:

- a. Communicate to all District customers the Board’s updated declaration, warning of water supply conditions and the need for increased conservation measures.
- b. Continue to work with customers, Sonoma Water, and the Water Board to determine and update water availability, accommodate changes in water availability, and communicate changes with District customers in a timely manner.
- c. Continue providing the Board and customers with updates on the drought conditions, reservoir storage levels, and any anticipated changes through a weekly Water Supply Conditions email and other outreach.
- d. Continue public outreach to emphasize the reduced surface water and storage supplies necessitating significant reduction in water consumption by utilizing local and social media, public comment and presentations at regional entity meetings, the District's website, correspondence, etc.
- e. Continue Russian River watershed-wide coordination to address the water supply shortage, drought condition responses, and water system stewardship through the development of the Russian River Water Users Forum.
- f. Closely monitor the water supply conditions to determine if further action is needed.

The Board thanks District customers and the public for their anticipated cooperation and fully understands that it will take all residents and water leaders in the Russian River watershed to successfully navigate this situation.

ADOPTED ___ of ___, 202_ by the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District, by the following vote:

Christopher Watt, President	Yes / No / Abstain / Absent
Alfred White, Vice President	Yes / No / Abstain / Absent
Matthew Froneberger, Treasurer	Yes / No / Abstain / Absent
Tyler Rodrigue, Trustee	Yes / No / Abstain / Absent
John Reardan, Trustee	Yes / No / Abstain / Absent

Signed: _____
Christopher Watt, Board of Trustees President Date

Attest: _____
Elizabeth Salomone, General Manager Date

A copy of this document and any attachments thereto shall be on file in the office of Mendocino County Russian River Flood Control & Water Conservation Improvement District, 304 N. State St. #2, Ukiah, CA 95482.

Mendocino County

Russian River Flood Control & Water Conservation Improvement District

304 N. State St. #2, Ukiah, CA 95482 707.462.5278 Website: RRFC.net DistrictManager@rrfc.net

September 15, 2022

NOTICE OF PUBLIC HEARING

The Mendocino County Russian River Flood Control & Water Conservation Improvement District will hold a public hearing on October 3, 2022 at 5:30 p.m. pursuant to CA Water Code Section 350 to consider declaring Stage III Water Warning within its boundaries, and a finding and determination that under current and forecasted conditions, the District's supply and/or distribution system will be unable to meet all water demands of its Customers through direct diversion and use of stored water reserves will be required. The hearing will provide an opportunity for public comment, questions, and protests to be heard by the Board. In compliance with AB 361, the meeting will be held via zoom with information on meeting agenda available at www.rrfc.net. Call 707-462-5278 for more information.

President

Christopher Watt

Vice President

Alfred White

Treasurer

Matthew Froneberger

Trustee

Tyler Rodrigue

Trustee

John Reardan

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

STAFF REPORT

To: Board of Trustees
From: E. Salomone, General Manager
Meeting: Monday, October 3, 2022
RE: Agenda Item 6: Water Supply Conditions Update & District Response

The Strategic Plan relevant priorities are: **Security** through ensuring reliable, resilient, and available sources of water; **Advocacy** in support of equitable water resource stewardship; and **Use** of water in effective and beneficial ways as a public resource, all in alignment with the District’s Mission to steward water resources for the benefit of people and environment.

Inter-Basin Diversion of Water Through PG&E Owned “Potter Valley Project”

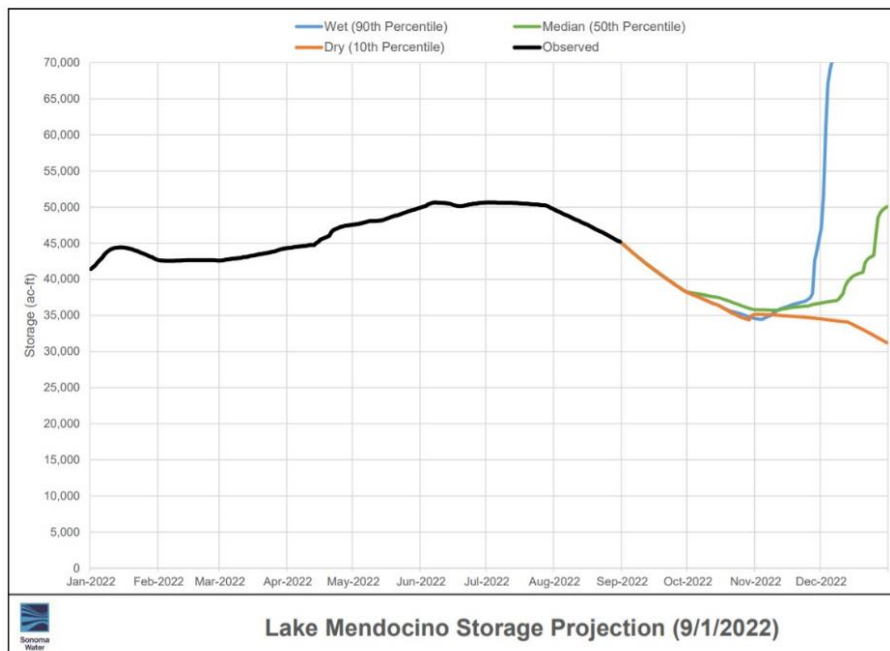
The PG&E Drought Working Group (DWG) continues to meet every two weeks during the variance period and PG&E has provided the DWG with Lake Pillsbury storage forecasts with various scenarios. To date, there has been a lack of consensus to increase the East Fork Russian River flows beyond the minimum 5 cubic feet per second (cfs) as allowed in the variance. The Variance remains in effect until Lake Pillsbury storage exceeds 36,000 acre feet (af) after October 1, 2022. Projections show that Lake Pillsbury will drop slightly below 36,000 af by October 1st, therefore the variance will remain in effect until precipitation/runoff brings storage up to 36,000 af.

Lake Mendocino and the Mainstem Upper Russian River

Lake Mendocino storage level on September 26, 2022 was 41,528 af, down from 44,504 af on September 5, 2022. Some rain in September and the decreased demand on water supply has allowed for a reduction in releases from Lake Mendocino.

Reservoir Storage Projections

LAKE MENDOCINO



From Sonoma Water’s website: <https://www.sonomawater.org/WaterSupplyProjections>

(Continued...)

Curtailments in the Upper Russian River

The State Water Board curtailments remain in effect for most water rights junior to January 1949 and regulators have been monitoring conditions to adjust to changing water supply conditions.

The Upper Russian River Voluntary Water Sharing Agreement Program

The Program continues to be due to the reduction in inter-basin diversions from the Eel River to the East Branch Russian River above Lake Mendocino. The Program is designed to be adaptive to changes in water supply however, it is unlikely that significant changes will occur before demand drastically drops off for 2022. The Steering Committee has considered calling an official end to the Program for 2022 but postponed that decision.

District 2022 Water Supply

As a participant in the Upper Russian River Voluntary Water Sharing Agreement Program, the District was issued a direct diversion water supply allocation for July and August 2022 that covered some customer water use with the remainder from stored water supplies in Lake Mendocino.

The District's January 1949 Appropriative Water Right License was not curtailed of direct diversion use in 2022, though there is insufficient direct diversion to meet the full customer demand and stored water from Lake Mendocino is also being used. Customers have been asked to recognize the requests from Governor Newsom and the Mendocino County Board of Supervisors to reduce overall water use by at least 20% in recognition of a third consecutive year of drought conditions and reduced water supply.

District Response:

The District Board passed Declaration #21-03, Stage IV - Water Crisis, on May 17, 2021 and is holding a Public Hearing at the October 3, 2022 Board Meeting to consider approving Declaration #22-01 Stage III: Water Warning.

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

STAFF REPORT

To: Board of Trustees
From: E. Salomone, General Manager
Meeting: Monday October 3, 2022
RE: Agenda Item 7: Water Resiliency Planning

The Strategic Plan relevant priorities are: **Security** through ensuring reliable, resilient, and available sources of water; **Collaboration** through working with partners to achieve aligned goals for a common benefit; **Use** of water effectively and beneficially as a public resource; and **Administration** of District resources alignment with the District's Mission to steward water resources for the benefit of people and environment.

Water Right Applications 12919C and 12920B

Staff, Legal Counsel, and Consultants have been meeting with protestants and stakeholders to review the Initial Draft Water Availability Analysis Report completed by Balance Hydrologics in July 2022 and submitted to the State Water Resources Control Board Administrative Hearing Office (AHO.) Formal comments are expected soon and the next Status Conference is set for December 20, 2022.

Russian River Water Forum

Background information was provided on the Water Forum in the September 12, 2022 Board Meeting agenda packet materials. This work is being funded by a grant from the California Department of Water Resources to Sonoma Water who has invited several other stakeholders to participate in the Project Management Advisory Team, including Flood Control and Inland Water & Power Commission. The Team is working closely with consultants Kearns & West in development and implementation of the Project.

In the past month, the team has developed a stakeholder interviewee list and interview questions, including some supporting materials. Discussions have begun on public workshop meetings, governance structure, funding, and outreach/education.

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

STAFF REPORT

To: Board of Trustees
From: E. Salomone, General Manager
Meeting: Monday, October 3, 2022
RE: Agenda Item 8: Draft Audit of Financial Statements for Fiscal Year 2020-2021

The Strategic Plan relevant priority is to **Administer** through ensuring agency financials support plans and goals.

Background

At the August 8, 2022 meeting, the Board approved the engagement of Nigro & Nigro PC to conduct the Annual Audit of Financial Statements and Independent Auditor's Report for Fiscal Year 2020-2021 (Annual Audit.) The General Manager worked with the District's Bookkeeper to provide requested information to the Auditors. A draft of the Annual Audit was reviewed thoroughly by the General Manager and Bookkeeper.

Discussion

The Board is invited to comment and question the Draft Annual Audit. 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 Board Action:

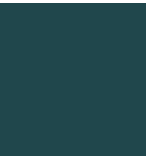

- (1) Direct General Manager to communicate with Auditor any questions and comments on the Draft Annual Audit of Financial Statements and Independent Auditor's Report for Fiscal Year 2020-2021 and present updated Draft Audit to the Board at a future meeting for approval;

Or

- (2) Move to approve the Annual Audit of Financial Statements and Independent Auditor's Report for Fiscal Year 2020-2021 and direct General Manager to sign the management representation letter and other documents necessary for finalization.

Attachments:

- o Draft Annual Audit of Financial Statements and Independent Auditor's Report for Fiscal Year 2020-2021



**MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL &
WATER CONSERVATION IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2021
(With Comparative Amounts as of June 30, 2020)**

NIGRO & NIGRO^{PC}

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

For the Fiscal Year Ended June 30, 2021

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Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021, 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.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*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, 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, 2020, 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 August 31, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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.

Murrieta, California
August 31, 2022

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, 2021

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, 2021. 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 increased 0.23% or \$2,555 from \$1,078,967 to \$1,081,522
- The District's total operating and non-operating revenues increased 0.25% or \$1,075 from \$427,548 to \$428,623, primarily from the increase in water sales.
- The District's total expenses increased 23% or \$83,751 from \$345,496 to \$426,068, primarily due to a \$75,000 increase in IWPC JPA payments.

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, 2021

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, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,075,296	\$ 1,030,326	\$ 44,970
Capital assets, net	79,907	91,895	(11,988)
Total assets	<u>1,155,203</u>	<u>1,122,221</u>	<u>32,982</u>
Deferred outflows of resources	<u>24,734</u>	<u>24,736</u>	<u>(2)</u>
Total assets and deferred outflows of resources	<u>\$ 1,179,937</u>	<u>\$ 1,146,957</u>	<u>\$ 32,980</u>
Liabilities:			
Current liabilities	\$ 39,920	\$ 16,401	\$ 23,519
Non-current liabilities	58,024	49,635	8,389
Total liabilities	<u>97,944</u>	<u>66,036</u>	<u>31,908</u>
Deferred inflows of resources	<u>471</u>	<u>1,954</u>	<u>(1,483)</u>
Net position:			
Investment in capital assets	79,907	91,895	(11,988)
Unrestricted	1,001,615	987,072	14,543
Total net position	<u>1,081,522</u>	<u>1,078,967</u>	<u>2,555</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 1,179,937</u>	<u>\$ 1,146,957</u>	<u>\$ 32,980</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 \$1,081,522 as of June 30, 2021.

A portion of the District's net position (7% as of June 30, 2021) 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 2021, the District showed a positive balance in its unrestricted net position of \$1,001,615.

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

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Operating revenues	\$ 365,904	\$ 341,434	\$ 24,470
Operating expenses	<u>(277,204)</u>	<u>(284,113)</u>	<u>6,909</u>
Operating income before depreciation	88,700	57,321	31,379
Depreciation expense	<u>(19,313)</u>	<u>(15,583)</u>	<u>(3,730)</u>
Operating income	69,387	41,738	27,649
Non-operating revenues (expenses), net	<u>(66,832)</u>	<u>40,314</u>	<u>(107,146)</u>
Change in net position	2,555	82,052	(79,497)
Net position:			
Beginning of year	<u>1,078,967</u>	<u>996,915</u>	<u>82,052</u>
End of year	<u><u>\$ 1,081,522</u></u>	<u><u>\$ 1,078,967</u></u>	<u><u>\$ 2,555</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 0.23% or \$2,555 from \$1,081,522 to \$1,078,967.

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

Total Revenues

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Water sales	<u>\$ 365,904</u>	<u>\$ 341,434</u>	<u>\$ 24,470</u>
Total operating revenues	<u>365,904</u>	<u>341,434</u>	<u>24,470</u>
Non-operating:			
Property taxes	58,039	54,085	3,954
Shared USGS costs reimbursment	-	19,570	(19,570)
Water application fees	-	1,200	(1,200)
Investment earnings	<u>4,680</u>	<u>11,259</u>	<u>(6,579)</u>
Total non-operating	<u>62,719</u>	<u>86,114</u>	<u>(23,395)</u>
Total revenues	<u><u>\$ 428,623</u></u>	<u><u>\$ 427,548</u></u>	<u><u>\$ 1,075</u></u>

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

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues (continued)

The District's total operating and non-operating revenues increased 0.25% or \$1,075 from \$427,548 to \$428,623, primarily from the increase in water sales.

Total Expenses

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Salaries and wages	\$ 123,564	\$ 123,040	\$ 524
Employee benefits	30,258	31,288	(1,030)
Facilities and operations	9,391	7,464	1,927
General and administrative	104,599	113,791	(9,192)
Insurance	9,392	8,530	862
Total operating expenses	<u>277,204</u>	<u>284,113</u>	<u>(6,909)</u>
Depreciation expense	<u>19,313</u>	<u>15,583</u>	<u>3,730</u>
Non-operating expenses:			
USGS JFA payments	29,551	19,300	10,251
IWPC JPA payments	100,000	25,000	75,000
Grant- UV trail group	-	1,500	(1,500)
Total non-operating	<u>129,551</u>	<u>45,800</u>	<u>83,751</u>
Total expenses	<u>\$ 426,068</u>	<u>\$ 345,496</u>	<u>\$ 80,572</u>

The District's total expenses increased 22% or \$83,751 from \$345,496 to \$426,068, primarily due to a \$75,000 increase in IWPC JPA payments.

Capital Assets

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

	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>
Capital assets:		
Depreciable assets	139,850	132,525
Accumulated depreciation	<u>(59,943)</u>	<u>(40,630)</u>
Total capital assets, net	<u>\$ 79,907</u>	<u>\$ 91,895</u>

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$79,907 (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, 2021

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, 2021 (With Comparative Information as of June 30, 2020)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2021</u>	<u>Restated 2020</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,066,429	\$ 1,006,772
Accrued interest receivable	400	-
Accounts receivable	4,512	19,570
Property taxes receivable	3,955	3,984
Total current assets	1,075,296	1,030,326
Non-current assets:		
Capital assets – being depreciated, net (Note 3)	79,907	91,895
Total non-current assets	79,907	91,895
Total assets	1,155,203	1,122,221
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 5)	24,734	24,736
Total deferred outflows of resources	24,734	24,736
Total assets and deferred outflows of resources	\$ 1,179,937	\$ 1,146,957
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	31,959	11,463
Long-term liabilities – due within one year:		
Compensated absences (Note 4)	7,961	4,938
Total current liabilities	39,920	16,401
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 4)	7,961	4,938
Net pension liability (Note 5)	50,063	44,697
Total non-current liabilities	58,024	49,635
Total liabilities	97,944	66,036
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 5)	471	1,954
Total deferred inflows of resources	471	1,954
Net position:		
Investment in capital assets	79,907	91,895
Unrestricted	1,001,615	987,072
Total net position	1,081,522	1,078,967
Total liabilities, deferred inflows of resources and net position	1,179,937	1,146,957

**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, 2021

(With Comparative Information for the Fiscal Year Ended June 30, 2020)

	<u>2021</u>	<u>Restated 2020</u>
Operating revenues:		
Water sales	\$ 365,904	\$ 341,434
Total operating revenues	<u>365,904</u>	<u>341,434</u>
Operating expenses:		
Salaries and wages	123,564	123,040
Employee benefits	30,258	31,288
Facilities and operations	9,391	7,464
General and administrative	104,599	113,791
Insurance	9,392	8,530
Total operating expenses	<u>277,204</u>	<u>284,113</u>
Operating income before depreciation	88,700	57,321
Depreciation expense	<u>(19,313)</u>	<u>(15,583)</u>
Operating income	<u>69,387</u>	<u>41,738</u>
Non-operating revenues(expenses):		
Property taxes	58,039	54,085
Shared USGS costs reimbursment	-	19,570
Water application fees	-	1,200
Investment earnings	4,680	11,259
USGS JFA payments	(29,551)	(19,300)
IWPC JPA payments	(100,000)	(25,000)
Grant - UV trail group	-	(1,500)
Total non-operating revenue(expense), net	<u>(66,832)</u>	<u>40,314</u>
Change in net position	2,555	82,052
Net position:		
Beginning of year (Note 6)	<u>1,078,967</u>	<u>996,915</u>
End of year	<u>\$ 1,081,522</u>	<u>\$ 1,078,967</u>

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

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2021

(With Comparative Information for the Fiscal Year Ended June 30, 2020)

	<u>2021</u>	<u>Restated 2020</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 380,962	\$ 368,429
Cash paid to employees for salaries and wages	(143,891)	(130,597)
Cash paid to vendors and suppliers for materials and services	<u>(102,886)</u>	<u>(127,167)</u>
Net cash provided by operating activities	<u>134,185</u>	<u>110,665</u>
Cash flows from non-capital financing activities:		
Shared costs reimbursement	-	19,570
Net other expenses	-	(300)
JFA and JPA payments	(129,551)	(44,300)
Proceeds from property taxes	<u>58,068</u>	<u>54,069</u>
Net cash provided (used in) by non-capital financing activities	<u>(71,483)</u>	<u>29,039</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(7,325)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(7,325)</u>	<u>-</u>
Cash flows from investing activities:		
Investment earnings	<u>4,280</u>	<u>11,259</u>
Net cash provided by investing activities	<u>4,280</u>	<u>11,259</u>
Net increase in cash and cash equivalents	59,657	150,963
Cash and cash equivalents:		
Beginning of year	<u>1,006,772</u>	<u>855,809</u>
End of year	<u>\$ 1,066,429</u>	<u>\$ 1,006,772</u>

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

Statements of Cash Flows (continued)

For the Fiscal Year Ended June 30, 2021

(With Comparative Information for the Fiscal Year Ended June 30, 2020)

	<u>2021</u>	<u>Restated 2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 69,387	\$ 41,738
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	19,313	15,583
Change in assets - (increase)decrease:		
Accounts receivable, net	15,058	26,995
Prepaid expenses	-	7,068
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net pension liability	2	473
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	20,496	4,530
Net pension liability	5,366	5,434
Compensated Absences	6,982	9,876
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to net pension liability	<u>(1,483)</u>	<u>(1,032)</u>
Total adjustments	<u>65,734</u>	<u>68,927</u>
Net cash provided by operating activities	<u>\$ 135,121</u>	<u>\$ 110,665</u>

Notes to the Financial Statements

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT

Notes to Financial Statements

June 30, 2021

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 proactively manage the water resources of the upper Russian River 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, 2021

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 & WATER CONSERVATION
IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2021

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 position 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 position 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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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.

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

Notes to Financial Statements

June 30, 2021

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)

9. Net Position (continued)

- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "investment in capital assets".

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, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 1,066,429	\$ 1,006,772
Total cash and cash equivalents	<u>\$ 1,066,429</u>	<u>\$ 1,006,772</u>

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

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Demand deposits held with financial institutions	576,711	521,168
Local Agency Investment Fund (LAIF)	489,718	485,604
Total cash and cash equivalents	<u>\$ 1,066,429</u>	<u>\$ 1,006,772</u>

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2021, the carrying amount of the District's demand deposits was \$576,711 and the financial institution's balance was \$592,230. 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, 2021, the District held \$489,718 in LAIF.

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

Notes to Financial Statements

June 30, 2021

NOTE 3 – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Changes in capital asset amounts for the fiscal year ended June 30, 2021, were as follows:

<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Depreciable assets:				
Equipment and vehicles	132,525	7,325	-	139,850
Total depreciable assets	<u>132,525</u>	<u>7,325</u>	<u>-</u>	<u>139,850</u>
Accumulated depreciation:				
Equipment and vehicles	(40,630)	(19,313)	-	(59,943)
Total accumulated depreciation	<u>(40,630)</u>	<u>(19,313)</u>	<u>-</u>	<u>(59,943)</u>
Total depreciable assets, net	<u>91,895</u>	<u>(11,988)</u>	<u>-</u>	<u>79,907</u>
Total capital assets, net	<u>\$ 91,895</u>	<u>\$ (11,988)</u>	<u>\$ -</u>	<u>\$ 79,907</u>

NOTE 4 – COMPENSATED ABSENCES

Changes in compensated absences amounts for the fiscal year ended June 30, 2021, was as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 9,876	\$ 13,269	\$ (7,223)	\$ 15,922	\$ 7,961	\$ 7,961

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

Notes to Financial Statements

June 30, 2021

NOTE 5 – PENSION PLAN

Summary

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

<u>Description</u>	<u>2021</u>
Pension related deferred outflows	\$ 24,734
Net pension liability	50,063
Pension related deferred inflows	471

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 2020	9.680%	6.985%

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

Notes to Financial Statements

June 30, 2021

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, 2020 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, 2020 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	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, 2021

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, 2021, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 4,914	\$ 10,304	\$ 15,218
Contributions – members	-	7,369	7,369
	<u>4,914</u>	<u>17,673</u>	<u>22,587</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, 2020, 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, 2019, rolled forward to June 30, 2020, 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, 2020:

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, 2019 (Measurement Date)	\$ 282,352	\$ 237,655	\$ 44,697
Balance as of June 30, 2020 (Measurement Date)	\$ 310,295	\$ 260,232	\$ 50,063
Change in Plan Net Pension Liability	<u>\$ 27,943</u>	<u>\$ 22,577</u>	<u>\$ 5,366</u>

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

Notes to Financial Statements

June 30, 2021

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, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2021	June 30, 2020	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Percentage of Risk Pool Net Pension Liability	0.001187%	0.001116%	0.000071%
Percentage of Plan (PERF C) Net Pension Liability	0.000460%	0.000436%	0.000024%

For the year ended June 30, 2021, the District recognized pension expense of \$19,103. At June 30, 2021, 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	\$ 15,218	\$ -
Difference between actual and proportionate share of employer contributions	1,460	(113)
Adjustment due to differences in proportions	3,989	-
Differences between expected and actual experience	2,580	-
Differences between projected and actual earnings on pension plan investments	1,487	-
Changes in assumptions	-	(358)
Total Deferred Outflows/(Inflows) of Resources	\$ 24,734	\$ (471)

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 & WATER CONSERVATION
IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2021

NOTE 5 – PENSION PLAN (continued)

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

An amount of \$24,734 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, 2021. 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 Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 3,502
2023	2,899
2024	1,931
2025	713
Total	<u><u>\$ 9,045</u></u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, 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	7.15%
Inflation	2.50%
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 & WATER CONSERVATION
IMPROVEMENT DISTRICT**

Notes to Financial Statements

June 30, 2021

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.

Investment Type¹	New Strategic Allocation	Real Return Years 1 - 10²	Real Return Years 11+³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

¹ In the CalPERS's ACFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation rate-of-return of 2.5% is used for years 1-10.

³ An expected inflation rate-of-return of 2.9% is used for years 11+.

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

Notes to Financial Statements

June 30, 2021

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 7.15%. 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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -	Current Discount	Discount Rate +
	1% 6.15%	Rate 7.15%	1% 8.15%
CalPERS – Miscellaneous Plan	91,356	\$ 50,063	\$ 15,945

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, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021.

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

Notes to Financial Statements

June 30, 2021

NOTE 6 – PRIOR PERIOD ADJUSTMENT

<u>Description</u>	<u>Amount</u>
Net Position – June 30, 2020, as stated	\$ 1,138,016
Prior period adjustment to net position	
Capital assets	1,084
Compensated absences	(5,402)
Pension related	<u>(50,257)</u>
Net Position – June 30, 2020, as restated	<u>\$ 1,083,441</u>

NOTE 7 – 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 8-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. \$100,000 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, 2019 and was accepted by the District on August 5, 2019. Total JFA costs for the fiscal year were \$29,551 under this agreement, a portion of which is reimbursed by the North Gualala Water Company.

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

Notes to Financial Statements

June 30, 2021

NOTE 9 – 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, 2020 – 505 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2021:		
Property/Liability policy	\$5,687	
F. Condensed financial information	June 30, 2020	
Statement of net position:		<u>June 30, 2020</u>
Total assets		\$ 130,676,871
Deferred outflows		<u>595,599</u>
Total liabilities		<u>70,083,643</u>
Deferred inflows		<u>246,193</u>
Net position		<u>\$ 60,942,634</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 82,459,850
Total expenses		<u>(77,881,779)</u>
Change in net position		4,578,071
Beginning - net position		<u>56,364,563</u>
Ending - net position		<u>\$ 60,942,634</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, 2021

NOTE 9 – RISK MANAGEMENT POOL (continued)

At June 30, 2021, 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 \$1,000,000 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 \$1,000 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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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 11 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 31, 2022 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, 2021*

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	0.009100%	\$ 26,412	\$ 118,928	22.21%	79.88%
June 30, 2015	0.007144%	24,335	120,093	20.26%	84.79%
June 30, 2016	0.008136%	33,095	105,000	31.52%	82.72%
June 30, 2017	0.008459%	40,010	105,000	38.10%	80.17%
June 30, 2018	0.008649%	39,263	117,500	33.42%	83.28%
June 30, 2019	0.008979%	44,697	105,000	42.57%	84.17%
June 30, 2020	0.009250%	50,063	105,000	47.68%	83.87%

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.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven 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, 2021

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%

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	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%

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 seven 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
Littlerock, 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, 2021, 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 August 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures 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.

Murrieta, California
August 31, 2022

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

STAFF REPORT

To: Board of Trustees
From: E. Salomone, General Manager
Meeting: Monday, October 3, 2022
RE: Agenda Item 9a: August 2022 Financial Reports Summary

Revenue

August 2022: Additional revenue not shown on previous report: None

September 2022:

Ordinary Expenses

August 2022: Additional expenses not shown on previous report: None

September 2022: \$28,378.89 in expenses at time of writing this report, notably:

- \$323.70 Consulting for Bookkeeping services, meter reading
- \$7,237.50 USGS stream gage 3rd annual pymt of 4
- \$4,054.50 Legal Counsel, 2 months
- \$ 1,725.00 Trustee bi-annual stipends

Other

- Bookkeeper continues to address various issues and assist with Audit.
- Financial reports subject to change after corrections and adjustments by Bookkeeper and Auditor
- Reconciliations are up to date from last statements. (August 2022)
- Additional reports or information available upon request.

Recommendation:

Move to accept and file the financial reports for September 2022.

Attachments:

1. Income & Expense / Budget Vs Actual Report – September only
2. Income & Expense / Budget Vs Actual Report – Fiscal Year to date
3. Profit & Loss Previous Year Comparison Report
4. Balance Sheet Previous Year Comparison Report
5. Monthly Payment Detail Report
6. Contracted Water Worksheet

Russian River Flood Control District
Income & Expense / Budget vs. Actual
September 2022

Cash Basis

	<u>Sep 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
Interest-LAIF	0.00	0.00	0.00	0.0%
Interest-SBMC	0.00	0.00	0.00	0.0%
Property Taxes	4,115.28	0.00	4,115.28	100.0%
Water Sales	0.00	0.00	0.00	0.0%
Total Income	4,115.28	0.00	4,115.28	100.0%
Expense				
Consulting	3,232.70	0.00	3,232.70	100.0%
Election	0.00	0.00	0.00	0.0%
Fees, County & LAFCo	0.00	0.00	0.00	0.0%
Gage	7,237.50	0.00	7,237.50	100.0%
Groundwater Sustainability	0.00	0.00	0.00	0.0%
Insurance, Liability	0.00	0.00	0.00	0.0%
Insurance, Workers Comp	446.66	0.00	446.66	100.0%
Legal	4,054.50	0.00	4,054.50	100.0%
Memberships	0.00	0.00	0.00	0.0%
Meters Expense	0.00	0.00	0.00	0.0%
Office Operating Expenses	147.25	0.00	147.25	100.0%
Payroll Expenses	13,593.09	0.00	13,593.09	100.0%
Rent, Utilities	0.00	0.00	0.00	0.0%
Stipends, Meetings	1,725.00	0.00	1,725.00	100.0%
SWRCB Permits	0.00	0.00	0.00	0.0%
Training Costs	47.43	0.00	47.43	100.0%
Unfunded Pension Liability	700.00	0.00	700.00	100.0%
Vehicle	98.51	0.00	98.51	100.0%
Water Resiliency	0.00	0.00	0.00	0.0%
Total Expense	31,282.64	0.00	31,282.64	100.0%
Net Ordinary Income	-27,167.36	0.00	-27,167.36	100.0%
Net Income	-27,167.36	0.00	-27,167.36	100.0%

Russian River Flood Control District Income & Expense / Budget vs. Actual

Cash Basis

July 2022 through June 2023

	<u>Jul '22 - Jun 23</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
Interest-LAIF	919.41	2,500.00	-1,580.59	36.8%
Interest-SBMC	0.00	500.00	-500.00	0.0%
Property Taxes	4,115.28	55,000.00	-50,884.72	7.5%
Water Sales	4,512.00	348,935.00	-344,423.00	1.3%
Total Income	9,546.69	406,935.00	-397,388.31	2.3%
Expense				
Consulting	10,232.20	20,000.00	-9,767.80	51.2%
Election	0.00	5,000.00	-5,000.00	0.0%
Fees, County & LAFCo	1,268.73	2,500.00	-1,231.27	50.7%
Gage	7,237.50	15,000.00	-7,762.50	48.3%
Groundwater Sustainability	0.00	68,000.00	-68,000.00	0.0%
Insurance, Liability	6,084.87	7,000.00	-915.13	86.9%
Insurance, Workers Comp	1,339.98	7,000.00	-5,660.02	19.1%
Legal	5,584.50	20,000.00	-14,415.50	27.9%
Memberships	0.00	7,000.00	-7,000.00	0.0%
Meters Expense	186.89	2,000.00	-1,813.11	9.3%
Office Operating Expenses	1,437.48	5,000.00	-3,562.52	28.7%
Payroll Expenses	41,397.42	175,010.00	-133,612.58	23.7%
Payroll Taxes- old	0.00			
Rent, Utilities	2,250.00	5,000.00	-2,750.00	45.0%
Stipends, Meetings	1,725.00	6,000.00	-4,275.00	28.8%
SWRCB Permits	0.00	17,000.00	-17,000.00	0.0%
Training Costs	457.52	4,000.00	-3,542.48	11.4%
Unfunded Pension Liability	7,011.00	9,500.00	-2,489.00	73.8%
Vehicle	429.30	2,000.00	-1,570.70	21.5%
Water Resiliency	3,737.00	40,000.00	-36,263.00	9.3%
Total Expense	90,379.39	417,010.00	-326,630.61	21.7%
Net Ordinary Income	-80,832.70	-10,075.00	-70,757.70	802.3%
Other Income/Expense				
Other Expense				
Prior Year Expense	9,262.89			
Total Other Expense	9,262.89			
Net Other Income	-9,262.89	0.00	-9,262.89	100.0%
Net Income	-90,095.59	-10,075.00	-80,020.59	894.2%

Russian River Flood Control District Profit & Loss Prev Year Comparison

Cash Basis

July through September 2022

	<u>Jul - Sep 22</u>	<u>Jul - Sep 21</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
Interest-LAIF	919.41	0.00	919.41	100.0%
Interest-SBMC	0.00	76.39	-76.39	-100.0%
Property Taxes	4,115.28	0.00	4,115.28	100.0%
Water Sales	4,512.00	0.00	4,512.00	100.0%
Total Income	<u>9,546.69</u>	<u>76.39</u>	<u>9,470.30</u>	<u>12,397.3%</u>
Expense				
Consulting	10,232.20	2,400.00	7,832.20	326.3%
Fees, County & LAFCo	1,268.73	1,396.13	-127.40	-9.1%
Gage	7,237.50	13,267.50	-6,030.00	-45.5%
Groundwater Sustainability	0.00	4,000.00	-4,000.00	-100.0%
Insurance, Liability	6,084.87	6,144.80	-59.93	-1.0%
Insurance, Workers Comp	1,339.98	1,289.73	50.25	3.9%
Legal	5,584.50	9,859.83	-4,275.33	-43.4%
Meters Expense	186.89	0.00	186.89	100.0%
Office Operating Expenses	1,437.48	1,087.65	349.83	32.2%
Payroll Expenses	41,397.42	37,062.56	4,334.86	11.7%
Payroll Taxes- old	0.00	0.00	0.00	0.0%
Rent, Utilities	2,250.00	1,931.29	318.71	16.5%
Stipends, Meetings	1,725.00	1,800.00	-75.00	-4.2%
Training Costs	457.52	365.00	92.52	25.4%
Unfunded Pension Liability	7,011.00	8,419.00	-1,408.00	-16.7%
Vehicle	429.30	0.00	429.30	100.0%
Water Resiliency	3,737.00	7,397.32	-3,660.32	-49.5%
Total Expense	<u>90,379.39</u>	<u>96,420.81</u>	<u>-6,041.42</u>	<u>-6.3%</u>
Net Ordinary Income	<u>-80,832.70</u>	<u>-96,344.42</u>	<u>15,511.72</u>	<u>16.1%</u>
Other Income/Expense				
Other Expense				
Prior Year Expense	9,262.89	0.00	9,262.89	100.0%
Total Other Expense	<u>9,262.89</u>	<u>0.00</u>	<u>9,262.89</u>	<u>100.0%</u>
Net Other Income	<u>-9,262.89</u>	<u>0.00</u>	<u>-9,262.89</u>	<u>-100.0%</u>
Net Income	<u>-90,095.59</u>	<u>-96,344.42</u>	<u>6,248.83</u>	<u>6.5%</u>

Russian River Flood Control District Balance Sheet Prev Year Comparison

As of September 30, 2022

Cash Basis

	Sep 30, 22	Sep 30, 21	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
LAIF				
Capital Reserve	48,000.00	48,000.00	0.00	0.0%
Emergency Reserve	28,000.00	28,000.00	0.00	0.0%
Operating Reserve	153,000.00	156,000.00	-3,000.00	-1.9%
WaterSupplyReliability Reserve	259,411.40	256,411.40	3,000.00	1.2%
LAIF - Other	3,593.38	1,706.51	1,886.87	110.6%
Total LAIF	492,004.78	490,117.91	1,886.87	0.4%
SBMC Checking	392,661.36	212,752.56	179,908.80	84.6%
SBMC Savings	100,088.49	267,892.85	-167,804.36	-62.6%
Total Checking/Savings	984,754.63	970,763.32	13,991.31	1.4%
Other Current Assets	0.00	3,955.41	-3,955.41	-100.0%
Total Current Assets	984,754.63	974,718.73	10,035.90	1.0%
Fixed Assets				
Accumulated Depreciation	-59,942.72	-59,942.72	0.00	0.0%
Meters & Vehicles	150,080.91	139,849.78	10,231.13	7.3%
Total Fixed Assets	90,138.19	79,907.06	10,231.13	12.8%
Other Assets				
Deferred Outflows	64,366.00	64,366.00	0.00	0.0%
Total Other Assets	64,366.00	64,366.00	0.00	0.0%
TOTAL ASSETS	1,139,258.82	1,118,991.79	20,267.03	1.8%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Other Current Liabilities				
Payroll Liabilities				
1959 Survivor Benefits (Liab)	2.00	0.00	2.00	100.0%
CalPERS- Employee contr (liab.)	675.00	0.00	675.00	100.0%
CalPERS Company Match (Liab)	1,253.00	0.00	1,253.00	100.0%
CalPERS Roth 457(b) payable	1,200.00	0.00	1,200.00	100.0%
Employee Health Insurance	5,616.00	-600.00	6,216.00	1,036.0%
Federal Withholding	780.00	1,292.00	-512.00	-39.6%
FICA	1,497.62	1,188.34	309.28	26.0%
Medicare	350.28	277.92	72.36	26.0%
State Withholding CA	394.26	677.94	-283.68	-41.8%
Payroll Liabilities - Other	1,350.00	0.00	1,350.00	100.0%
Total Payroll Liabilities	13,118.16	2,836.20	10,281.96	362.5%
Total Other Current Liabilities	13,118.16	2,836.20	10,281.96	362.5%
Total Current Liabilities	13,118.16	2,836.20	10,281.96	362.5%
Long Term Liabilities				
Net Pension Liability	36,024.00	36,024.00	0.00	0.0%
Total Long Term Liabilities	36,024.00	36,024.00	0.00	0.0%
Total Liabilities	49,142.16	38,860.20	10,281.96	26.5%

Russian River Flood Control District
Balance Sheet Prev Year Comparison

Cash Basis

As of September 30, 2022

	<u>Sep 30, 22</u>	<u>Sep 30, 21</u>	<u>\$ Change</u>	<u>% Change</u>
Equity				
3000 · Opening Bal Equity	541,116.95	541,116.95	0.00	0.0%
3900 · Retained Earnings	639,095.30	635,359.06	3,736.24	0.6%
Net Income	-90,095.59	-96,344.42	6,248.83	6.5%
Total Equity	<u>1,090,116.66</u>	<u>1,080,131.59</u>	<u>9,985.07</u>	<u>0.9%</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,139,258.82</u></u>	<u><u>1,118,991.79</u></u>	<u><u>20,267.03</u></u>	<u><u>1.8%</u></u>

Russian River Flood Control District
Monthly Payment Detail
As of September 30, 2022

Cash Basis

Type	Date	Name	Memo	Original ...	Paid Amo...
SBMC Checking					
Bill Pmt -Check	09/02/2022	CalPERS	2022-23 annual1959 Survivor Billing	-700.00	-700.00
Bill Pmt -Check	09/03/2022	Comcast Business	Internet services for 8/13-9/12/22	-76.47	-76.47
Bill Pmt -Check	09/04/2022	State Compensation Insurance Fu...	2022-23 FY Policy charges 8/9-9/9/22	-446.66	-446.66
Bill Pmt -Check	09/08/2022	Intuit	Monthly Payroll Subscription	-4.00	-4.00
Bill Pmt -Check	09/09/2022	Cardmember Service	Credit card 5/15-6/12/22	-161.23	-161.23
Bill Pmt -Check	09/10/2022	USGS	Gages, Bill #9099587 3rf pymt FY 22	-7,237.50	-7,237.50
Bill Pmt -Check	09/18/2022	US Cellular	Cell service 8/14- to 9/13/22	-51.49	-51.49
Bill Pmt -Check	09/19/2022	Alfred White	Board Meeting Stipend Jan-June 2022	-775.00	-775.00
Bill Pmt -Check	09/19/2022	Chevalier Vineyard Management,...	Meter Reading	-328.95	-328.95
Bill Pmt -Check	09/19/2022	Christopher Watt	Board Meeting Stipend Jan - June 2022	-575.00	-575.00
Bill Pmt -Check	09/19/2022	Herum/Crabtree/Suntag	Legal Counsel service dates for June-Aug ...	-4,054.50	-4,054.50
Bill Pmt -Check	09/19/2022	Tyler Rodrigue	Board Meeting Stipend Jan-June 2022	-375.00	-375.00
Bill Pmt -Check	09/29/2022	Eide Bailly	Bookkeeping, August service Dates	-2,903.75	-2,903.75
Total SBMC Checking					-17,689.55
TOTAL					-17,689.55

Project Water Worksheet as of October 1, 2022

**Please note:
The District is under Declaration#21-02,
Stage III: Water Supply Crisis**

		Current 2022 totals in Acre Feet
Project Water Licensed to MC RRFC & WCID:		7940
Contracted Non-Retail Suppliers:		4917
Contracted Retail Suppliers:		2907.15
	Calpella CWD	85
	Henry Station Mutual Water Co	8
	Hopland PUD	222
	Millview CWD - Municipal Use	970
	Millview CWD - Wheeled Municipal Use	189.15
	Millview CWD - Irrigation Use	12
	Rogina Water	800
	River Estates Mutual Water Company	26
	Willow CWD - Municipal Use	515
	Willow CWD - Irrigation Use	80
	Contracted Municipals:	2907.15
Contracted Total:		7824.15

Uncontracted Water Supply for 2021: 115.85

*Rogina verbally requested to reduce from 800af to 400af in March 2022 but the permanent contract amendment was not completed and has been scheduled for Jan 2023.

Contract Adjustments in 2022:

Surplus water transferred from customers in 2022:	n/a	
Emergency water transferred from customers in 2022:	-400	Rogina to Redwood Valley
Requested surplus by customers for 2022:	n/a	

Adjusted contract total: 7424.15

Redwood Valley County Water District:

Uncontracted water available to RVCWD as surplus in 2022:	n/a	
Customer transferred surplus water available to RVCWD in 2022:	n/a	
Emergency water made available by RRFC to RVCWD in 2022:	60	not allocated to a contract
Emergency water transferred to RVCWD by Customer(s) in 2022:	400	

Total: 7824.15

5 **DRAFT MINUTES**
6 **Special Meeting of July 18, 2022**

7 THIS MEETING WAS HELD IN PERSON ONLY
8 AT THE MENDOCINO COUNTY FARM ADVISOR BUILDING
9 890 NORTH BUSH STREET UKIAH, CA 95482.
10

11
12 **1. Roll Call**

13 President Watt called the meeting to order at 8:00 AM.

14
15 Trustees Present: Christopher Watt, President
16 Alfred White, Vice President
17 Tyler Rodrigue, Trustee (Arrived 8:26 AM)
18 John Reardan, Trustee
19

20 Absent: Matthew Froneberger, Treasurer

21
22 Staff: Elizabeth Salomone, General Manager
23 Consultant: Scott Ormerod, LEAP Solutions
24

25 **2. Public Expression** – No one from the public indicated interest in public expression.
26

27 **3. Approval of Agenda**

28 Vice President White moved to approve the agenda. Trustee Reardan seconded the motion.

29 The motion was approved by the following vote:
30 Ayes: 3 (Reardan, Reardan, White, Watt)
31 Absent: 2 (Froneberger, Rodrigue)

32 **WORKSHOP**

33 **4. Strategic Plan Update**

34 The Board and GM were led through a planning workshop by Consultant in effort to update the Strategic
35 Plan.
36

37 **ADJOURNMENT**

38
39 Trustee Reardan moved to adjourn the meeting at 12:38 PM. Vice President White seconded the motion. The
40 motion was approved by the following unanimous vote:

41 Ayes: 4 (Reardan, Reardan, Rodrigue, White, Watt)
42 Absent: 1 (Froneberger)

5 **DRAFT MINUTES**
6 **Regular Meeting of**
7 **September 12, 2022**
8

9 IN COMPLIANCE WITH ASSEMBLY BILL 361, THIS MEETING WAS HELD VIA ZOOM.

10
11 **1. Roll Call**

12 President Watt called the meeting to order at 5:01 PM.
13
14 Trustees Present: Christopher Watt, President
15 Alfred White, Vice President
16 Tyler Rodrigue, Trustee
17 John Reardan, Trustee (Departed 5:48 PM)
18
19 Absent: Matthew Froneberger, Treasurer (Apologies)
20
21 Staff: Elizabeth Salomone, General Manager
22 Jeanne Zolezzi, Legal Counsel
23

24 **2. Approval of Agenda**

25 Trustee Reardan moved to approve the agenda. Vice President White seconded the motion.
26 The motion was approved by the following vote:
27 Ayes: 4 (Reardan, Rodrigue, Watt, White)
28 Absent: 1 (Froneberger)

29 **3. CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION**

30 Gov. Code § 54956.9(d) *Significant exposure to litigation:* (2 potential cases)
31 The Board entered Closed Session at 5:03 PM and returned to Public Session at 5:32 PM with no reportable
32 action.

33 **4. Public Expression**

34 Tamara Alaniz, former General Manager of the District, addressed the Board with gratitude for correction of a
35 past payroll item discrepancy.

36 **ITEMS FOR DISCUSSION AND POSSIBLE ACTION**

37 **5. Water Supply Conditions Update and District Response**

38 GM Salomone presented the item, reviewing the staff report. The Board directed GM to issue the public
39 hearing notice and schedule a Public Hearing at the next Board meeting to consider approval of Proposed
40 Declaration #22-01 Water Warning.

41 **6. Redwood Valley County Water District Water Supply**

42 GM Salomone presented the item, reviewing the staff report.
43 Trustee Reardan thanked Legal Counsel Zolezzi and GM Salomone for the work undertaken to supply
44 Redwood Valley County Water District with water through these actions.

47 Adam Gaska and Bree Klotter, both Directors on the Redwood Valley County Water District Board, thanked
48 GM Salomone and the Flood Control District.

49 Vice President White moved to approve the recommended actions to ratify the Rogina Water Company
50 Amendment to Water Supply & Purchase Agreement executed on September 7, 2022 by the General Manager of
51 RRFC and to ratify the Redwood Valley County Water District Emergency Water Supply Agreement executed on
52 September 6, 2022 by the General Manager of RRFC. Trustee Reardan seconded the motion. The motion was
53 approved by the following vote:

54 Ayes: 4 (Reardan, Rodrigue, Watt, White)
55 Absent: 1 (Froneberger)

56 *(At this time, Trustee Reardan left the meeting.)*

57 **7. Water Resiliency Planning**

58 GM Salomone presented the item, reviewing the staff report.

59 **8. Strategic Planning**

60 GM Salomone presented the item. Brooktrails Community Services District General Manager, Tamara Alaniz
61 offered public comment.

62 Vice President White moved to approve the 2023-2025 Strategic Plan Update with direction to GM Salomone to
63 begin immediate implementation. Trustee Rodrigue seconded the motion. The motion was approved by the
64 following vote:

65 Ayes: 3 (Rodrigue, Watt, White)
66 Absent: 2 (Froneberger, Reardan)

67 **9. Fiscal Year 2020-2021 Audit of Financial Statements**

68 GM Salomone asked to postpone the item to the next Board meeting to allow Staff additional time to review
69 the draft.

70 **10. Local Agency Formation Commission (LAFCo) Independent Special District Election**

71 GM Salomone presented the item, reviewing the staff report and ballot information.

72 Vice President White moved to approve a vote for Candace Horsley for the Special District Regular Member seat,
73 recognizing Francois Christen is automatically appointed to the Special District Alternate Member seat. The
74 motion was approved by the following vote:

75 Ayes: 3 (Rodrigue, Watt, White)
76 Absent: 2 (Froneberger, Reardan)

77 **REGULAR BUSINESS, INFORMATION, AND REPORT ITEMS**

78 **11. Consent Calendar**

- 79 a) Acceptance of the August 2022 Financial Report
80 b) Approval of August 8, 2022 Regular Board Meeting minutes
81 c) Approval of appointments to the Groundwater Sustainability Agency Board and Technical Advisory Committee.
82 d) State of Emergency

83 *Board to reconsider the circumstances of the state of emergency and determine by majority vote that (i) The state of emergency*
84 *continues to directly impact the ability of the members to meet safely in person; and/or (ii) State or local officials continue to*
85 *impose or recommend measures to promote social distancing as previously passed in Board Resolution #21-04.*

88 Vice President White moved to approve the Consent Calendar items a-d. Trustee Rodrigue seconded the
89 motion. The motion was approved by the following vote:

- 90 Ayes: 3 (Rodrigue, Watt, White)
- 91 Absent: 2 (Froneberger, Reardan)

92 **12. Trustee & Committee Reports**

93 *Vice President White* reported on the Groundwater Sustainability Agency funding, particularly for a rate and fee
94 study. He shared that the GSA Board is exploring the need to ‘front load’ the agreed upon member financial
95 contributions over the next four years, if necessary. Grant funding is being sought and may offset the need for
96 this change in planned member financial contributions. The Board reached consensus in providing direction to
97 Vice President White to support the potential change.

98 *President Watt* reported no business was conducted at the last Inland Water & Power Commission meeting other
99 than general updates on recurring agenda items.

100 **13. General Manager Report & Correspondence**

101 GM presented the written report, noting the new website is live.

102 **14. Direction on Future Agenda Items – none noted.**

103 **CLOSED SESSION**

104 **15. Conference with Real Property Negotiations (Government Code § 54956.8)**

105 Information received from participation in Inland Water & Power Commission (IWPC) joint powers agency
106 closed session that has direct financial or liability implications for RRFC (Gov. Code §54956.96)

107 *Property: PG&E Potter Valley Project. Agency Negotiators: Janet Pauli & Scott Shapiro*
108 *Negotiating Parties: IWPC and FERC. Under Negotiation: Price and Terms*

109 The Board entered Closed Session at 6:16 PM and returned to Public Session at 6:23 PM. No reportable action to
110 report.

111 **ADJOURNMENT**

112
113 Vice President White moved to adjourn the meeting at 6:24 PM. Trustee Rodrigue seconded the motion. The
114 motion was approved by the following vote:

- 115 Ayes: 3 (Rodrigue, Watt, White)
- 116 Absent: 2 (Froneberger, Reardan)

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Mendocino County

Russian River Flood Control & Water Conservation Improvement District

304 N. State Street #2, Ukiah, CA 95482 707.462.5278 Website: RRFC.net DistrictManager@rrfc.net

October 3, 2022

State Social Security Administrators Office
PO Box 720720
Sacramento, CA
94229-0720

Dear State Social Security Administrator

RE: Social Security Tax Withholdings for CalPERS # _____

The Mendocino County Russian River Flood Control & Water Conservation Improvement District (District) certifies the following:

- The intent is to provide Social Security coverage to its employees
- A refund of employer tax contributions from the Internal Revenue Service (IRS) has not and will not be requested
- The District has been withholding Social Security taxes in error since February 1, 2016

Should you have any question, please do not hesitate to contact us.

Sincerely,

Elizabeth Salomone
General Manager

President
Christopher Watt

Vice President
Alfred White

Treasurer
Matthew Froneberger

Trustee
Tyler Rodrigue

Trustee
John Reardan

Resolution #22-01

of the

Mendocino County Russian River Flood Control & Water Conservation Improvement District

Authorizing the State of California Social Security Program for California Public Agencies

WHEREAS, Russian River Flood Control & Water Conservation Improvement District Board of Trustees, hereinafter referred to as the “Board of Trustees,” desires to include services performed by its employees in positions covered by California Public Employees' Retirement System in the California State Social Security Agreement of March 9, 1951, providing for the coverage of public employees under the old age, survivors, disability and health insurance system established by the Federal Social Security Act, as amended; and

WHEREAS, State and Federal laws require, as a condition of such coverage, that an election first be authorized by the Board of Administration, Public Employees' Retirement System, and conducted among the "eligible employees" (as defined in Section 218(d)(3) of the Social Security Act) of the Public Agency; and

WHEREAS, it is necessary that the "Public Agency" now designate any classes of positions covered by said retirement system which it desires to exclude from coverage under said insurance system;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration, Public Employees' Retirement System be, and hereby is requested to authorize the foregoing election; and

BE IT FURTHER RESOLVED, that upon receipt of authorization from the Board of Administration, an election shall be conducted in accordance with the requirements of Section 218(d) of the Social Security Act, and applicable State and Federal laws and regulations; that such election shall be held on the question of whether service in positions covered by said retirement system should be excluded from or included under an agreement under the insurance system established under the Social Security Act, as hereinbefore provided, with such coverage effective as to services performed on and after January 1, 2016; and

BE IT FURTHER RESOLVED, that the following classes of positions covered by said retirement system of the "Public Agency" shall be excluded from coverage under said agreement:

1. All services excluded from coverage under the agreement by Section 218 of the Social Security Act; and
2. Services excluded by option of the Public Agency: Service performed by Elected Officials, Fee-based positions, Agricultural labor, Student services

BE IT FURTHER RESOLVED, that not less than ninety days' notice of such election be given to all "eligible employees" as hereinabove provided; and that Elizabeth Salomone, General Manager is hereby designated and appointed to conduct such election on behalf of the "Public Agency" in accordance with law, regulations, and this resolution, including the giving of proper notice thereof to all such "eligible employees"; and

BE IT FURTHER RESOLVED, that with respect to eligible members thereof, the benefits and contributions of the said retirement system shall not be modified in any way; and

BE IT FURTHER RESOLVED, that the Public Agency will pay and reimburse the State at such time and in such amounts as may be determined by the State the approximate cost of any and all work and services relating to such election.

ADOPTED 2nd of October, 2022, by the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District, by the following vote:

Christopher Watt, President	Yes / No / Abstain / Absent
Alfred White, Vice President	Yes / No / Abstain / Absent
Matthew Froneberger, Treasurer	Yes / No / Abstain / Absent
Tyler Rodrigue, Trustee	Yes / No / Abstain / Absent
John Reardan, Trustee	Yes / No / Abstain / Absent

Signed: _____
Christopher Watt, Board of Trustees President _____ Date

Attest: _____
Elizabeth Salomone, General Manager _____ Date

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

STAFF REPORT

To: Board of Trustees
From: E. Salomone, General Manager
Meeting: Monday, October 3, 2022
RE: Agenda Item 8f: State of Emergency

The Strategic Plan relevant priority are **Advocacy:** Improving public awareness and understanding of the importance of water issues; and **Administration:** Fostering District resources in alignment with the District's Mission to steward water resources for the benefit of people and environment.

Background

The Ralph M. Brown Act (Gov. Code § 54950 et seq.) generally requires local agencies meeting via teleconference, including through other virtual or electronic means, to provide public access at each location in which members of the legislative body are teleconferencing. Legislature recently enacted Assembly Bill 361, Chapter 165, Statutes of 2021 ("AB 361"), which amended Government Code section 54953 to allow local agencies to meet fully virtually during a proclaimed state of emergency if state or local officials have imposed or recommended measures to promote social distancing. The Governor of California issued a proclamation declaring a state of emergency on March 4, 2020 due to the COVID-19 pandemic, pursuant to section 8625 of the California Emergency Services Act, and this proclaimed state of emergency currently remains in effect. Additionally, on September 29, 2021, the Mendocino County Health Officer issued a Health Recommendation urging public bodies in Mendocino County to continue meeting remotely through online meetings to lower the risk of COVID-19 transmission.

On November 1, 2021, the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District adopted Resolution #21-04 Making Findings and Determinations Under Assembly Bill 361 For Continued Virtual Meetings. Consistent with the provisions of Government Code Section 54953(e), the Board found and determined that (1) a state of emergency related to COVID-19 is currently in effect; and (2) state and local officials have recommended measures to promote social distancing in connection with COVID-19. Based on such facts, findings and determinations, the Board authorized staff to conduct remote teleconference meetings of the Board under the provisions of Government Code Section 54953(e). 3. This Resolution took effect immediately.

Recommended Action:

- Move to reaffirm the previously adopted Resolution #21-04 Making Findings and Determinations under Assembly Bill 361 for Continued Virtual Meetings, determining that (i) The state of emergency continues to directly impact the ability of the members to meet safely in person; and/or (ii) State or local officials continue to impose or recommend measures to promote social distancing.

Attachments:

- Resolution #21-04 Making Findings and Determinations under Assembly Bill 361 for Continued Virtual Meetings, dated November 1, 2021

Resolution #21-04

of the

Mendocino County Russian River Flood Control & Water Conservation Improvement District

Making Findings and Determinations Under Assembly Bill 361 For Continued Virtual Meetings

WHEREAS, the Mendocino County Russian River Flood Control & Water Conservation Improvement District Board of Trustees, hereinafter referred to as the “Board of Trustees,” is committed to preserving and nurturing public access to and participation in meetings of the Board; and

WHEREAS, the Ralph M. Brown Act (Gov. Code § 54950 et seq.) generally requires local agencies meeting via teleconference, including through other virtual or electronic means, to provide public access at each location in which members of the legislative body are teleconferencing; and

WHEREAS, the Legislature recently enacted Assembly Bill 361, Chapter 165, Statutes of 2021 (“AB 361”), which amended Government Code section 54953 to allow local agencies to meet fully virtually during a proclaimed state of emergency if state or local officials have imposed or recommended measures to promote social distancing; and

WHEREAS, the Governor issued a proclamation declaring a state of emergency on March 4, 2020 due to the COVID-19 pandemic, pursuant to section 8625 of the California Emergency Services Act, and this proclaimed state of emergency currently remains in effect; and

WHEREAS, starting in March 2020, in response to the spread of COVID-19 in the State of California, the Governor issued a number of executive orders aimed at containing the COVID-19 virus; and

WHEREAS, among other things, these orders waived certain requirements of the Brown Act to allow legislative bodies to meet virtually; and

WHEREAS, pursuant to the Governor’s executive orders, the Board has been holding virtual meetings during the pandemic in the interest of protecting the health and safety of the public, staff, and Board members; and

WHEREAS, the Governor’s Executive Order N-29-20 related to the suspension of certain provisions of the Brown Act expired on September 30, 2021; and

WHEREAS, AB 361, effective as of October 1, 2021 allows legislative bodies to meet virtually provided there is a state of emergency, and either (1) state or local officials have imposed or recommended measures to promote social distancing; or (2) the legislative body determines by majority vote that meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, the Board has considered the circumstances of the state of emergency; and

WHEREAS, state or local officials continue to recommend measures to promote social distancing; and

WHEREAS, on September 29, 2021, the Mendocino County Health Officer issued a Health Recommendation urging public bodies in Mendocino County to continue meeting remotely through online meetings to lower the risk of COVID-19 transmission; and

WHEREAS, the continuation of virtual meetings will allow for full participation by members of the public until the present state of emergency has ended; and **WHEREAS**, the Board desires to continue to hold virtual meetings pursuant to AB 361 and Government Code section 54953(e).

NOW, THEREFORE, BE IT RESOLVED that, the District Board hereby resolves as follows:

1. The above recitals are true and correct.
2. Consistent with the provisions of Government Code Section 54953(e), the Board finds and determines that (1) a state of emergency related to COVID- 19 is currently in effect; and (2) state and local officials have recommended measures to promote social distancing in connection with COVID-19. Based on such facts, findings and determinations, the Board authorizes staff to conduct remote teleconference meetings of the Board under the provisions of Government Code Section 54953(e). 3. This Resolution shall take effect immediately.

ADOPTED 1st of November, 2021 by the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District, by the following vote:

Christopher Watt	<input checked="" type="checkbox"/> Yes / No / Abstain / Absent
Alfred White	<input checked="" type="checkbox"/> Yes / No / Abstain / Absent
Matthew Froneberger	<input checked="" type="checkbox"/> Yes / No / Abstain / Absent
Tyler Rodrigue	<input checked="" type="checkbox"/> Yes / No / Abstain / Absent
John Reardan	<input checked="" type="checkbox"/> Yes / No / Abstain / Absent



Signed: _____
Christopher Watt, Board of Trustees President

1/11/21
Date



Attest: _____
Elizabeth Salomone, General Manager

1/11/21
Date

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

General Manager's Report for September 2022

Presented at Regular Meeting of Monday, October 3, 2022

Priority 1: Security ~ Ensure reliable, resilient, and available sources of water.

(1: Improved river & reservoir operations. 2: Fair & reliable inter-basin. 3: Expanded water sources. 4: Increased storage capacity)

See Agenda Items on Water Supply Conditions and Water Resiliency Planning

2-Potter Valley Project Decommissioning: The Round Valley Indian and Wiyot Tribes submitted a request to the Federal Emergency Regulatory Commission (FERC) for a government-to-government consultation on the decommissioning process.

Priority 2: Collaboration ~ Work with partners to achieve aligned goals for a common benefit.

(1: Trusted relationships with community partners for regional water security. 2: Improved diversity, equity, and inclusion in the stewardship of water resources. 3: Expanded relationships with non-traditional partners and stakeholders in pursuit of enhanced Environmental Stewardship.)

2-ACWA Non-Profit Foundation: In February 2022, the Association of California Water Agencies (ACWA) Board of Directors approved ACWA to form a taskforce to explore the formation a new non-profit foundation to advance ACWA's efforts to promote diversity, equity and inclusion within the water industry through leadership and professional development. Updates are provided at ACWA Board and Regional meetings. This week, the Board approved the creation of the nonprofit.

Priority 3: Advocacy ~ Influence outreach, education, funding, regulation, and legislation in support of equitable water resource stewardship.

(1: Improved public awareness and understanding of the importance of water issues. 2: State and Federal governmental policy and funding support for the region.)

1-Local Agency Formation Commission (LAFCo): The Commission is recruiting applicants to serve as the Regular Public member on LAFCo? See www.mendolafco.org – deadline is October 28th.

Priority 4: Use ~ Ensure effective and beneficial use of water as a public resource.

(1: Maximum beneficial use of water under District water right license. 2: Strategic use of water by customers.)

Priority 5: Administration ~ Foster sustainable leadership and management of agency resources.

(1: Capable and high quality executive leadership. 2: Engaged, diverse, and knowledgeable Board leadership. 3: Effective systems and human resources to execute the strategic plan. 4: Sound and sustainable management of District finances.)

See Agenda Item on Financial Audit.

Community Meetings Attended This Month

Redwood Valley County Water District Special Mtg (9/6/22): During the well-attended meeting the Board discussed the proposed Emergency Water Supply Agreement with RRFC and once approved, how to allocate the 400 acre feet. Some will go to domestic, some to agriculture, and some held in the pond for fire suppression and emergency.

(Continued...)

Upper Russian River Water Agency (URRWA) (9/7/22): GM Walker reported on issues created by the heat wave. No updates were available for the Potter Valley Project and the Groundwater Sustainability Agency. GM Walker and Board Members reviewed the September 6, 2022 consolidation effort meeting involving Willow, Millview, Calpella, Redwood Valley, and the City of Ukiah which was reported as having gone well. Now the nature of an agreement among the participants must be worked out and further meetings will be held. Once again, no representative for the Groundwater Sustainability Agency was appointed. Redwood Valley's receipt of an unexpected 400 acre feet was discussed.

Inland Water & Power Commission (9/8/22): Updates were provided on the regular topics, including the progress on Sonoma Water Agency's DWR Grant projects and Potter Valley Project.

Local Agency Formation Commission (LAFCo) (9/12/22): The Commission held a workshop on the City of Ukiah and Ukiah Valley Sanitation District Municipal Service Review (MSR) Update, notable for the unique approach to completing it jointly.

Willow County Water District (9/12/22): GM Walker reported on emergency water supply for Redwood Valley CWD through RRFC and potential consolidation of URRWA members and City of Ukiah was discussed.

Redwood Valley County Water District (9/15/22): Closed Session with legal counsel to discuss Grand Jury report, consolidation, and RRFC annexation. GM reported 70 ag connections turned on and only 40 acre feet (af) of the 400 af from RRFC used so far. He also reported it cumbersome and time consuming to turn on the ag hook ups that have been off since early 2021. Ag customers have reported they are not filling ponds because they leak and may take time to swell up after being dry so long. The Board representatives that attended the Consolidation meeting reported it went well and the initial plan is for a managerial consolidation which shares staff resources but keeps district governances and finances intact. The Board approved going forward filing CEQA documents for the DWR grant funding for treatment plant upgrades.

Board of Supervisors (9/20/22): nothing to note.

Millview (9/20/22): Staff reported August water use up 9% from July possibly due to the heat. Annual water analysis is in process at Alpha Labs. The financial audit is wrapping up. State inspection happening at the Hopland water treatment plant. Last one was 2009. Consolidation progress: Two hour ad hoc meeting with all parties was held to discuss how to move forward. Subsequently, Staff of Willow and City of Ukiah met to develop a draft for a contract for services agreement with the City of Ukiah. A second September meeting of the ad hoc scheduled to see the draft and discuss. Objective is to go for an agreement rather than the full consolidation so that they can apply for the consolidation monies sooner. The draft is about 10 pages with a fair amount of boilerplate.

County Drought Task Force (9/21/22): This is now being called the Public Health, Safety, and Resources Committee and there is some effort to use this Committee to meet the requirements of SB552. The Committee (Haschak and McGourty) are taking recommendations to the BoS on October 4 and some stakeholders are concerned with next steps and strategizing public comment on the item.

Calpella (9/21/22): Cancelled due to lack of quorum.

City of Ukiah (9/21/22): A member of the public offered comments on Doolan Creek, making the Council aware of what they believed to be unauthorized development around the creek that may cause flood damage to other properties. Councilmember Crane reported on the joint meeting with URRWA members toward consolidation "making some headway with a fair amount of agreement."

* * * *