

5 **DRAFT MINUTES**

6 **Regular Meeting of August 5, 2024**

7 **At District Office: 304 N. State Street, Ukiah, CA 95482**

8 **1. Roll Call**

9 President Watt called the meeting to order at 5:34 PM.

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11 Trustees Present: Christopher Watt, President  
12 John Bailey, Treasurer  
13 Tyler Rodrigue, Trustee

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15 Trustees Absent: John Reardan, Trustee  
16 Dave Koball, Trustee

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18 Staff: Elizabeth Salomone, General Manager  
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21 **2. Approval of Agenda**

22 Trustee Rodrigue moved to approve the agenda. Treasurer Bailey seconded the motion. The motion was  
23 approved by the following vote:

24 Ayes: 3 (Rodrigue, Bailey, Watt)

25 Absent: 2 (Reardan, Koball)  
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27 **3. Public Expression: None.**  
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29

30 **PUBLIC HEARING**

31 **4. INTRODUCE, WAIVE READING, AND PLACE ON AGENDA FOR ADOPTION Ordinance**  
32 **No. 24-01 An Ordinance Establishing Regulations and Rules for Board of Trustee Compensation by**  
33 **the Mendocino County Russian River Flood Control & Water Conservation Improvement District.**

34 The Board of Trustees introduced Ordinance No. 24-01 Establishing Regulations and Rules for Board of  
35 Trustee Compensation by reading of the title only (waived reading) and approved placing it on the agenda for  
36 adoption at the next regularly scheduled meeting. The Board held a public hearing with no comments  
37 submitted by the public. The Board approved the Ordinance and directed Staff to schedule the required  
38 second reading at the September 9, 2024 Board Meeting.  
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40 Treasurer Bailey moved to introduce, waive reading, and place on the agenda for adoption Ordinance No. 24-  
41 01. Trustee Rodrigue seconded the motion. The motion was approved by the following vote:

42 Ayes: 3 (Rodrigue, Bailey, Watt)

43 Absent: 2 (Reardan, Koball)  
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45 **5. WAIVE READING AND ADOPT Ordinance No. 24-01 An Ordinance Establishing Regulations and**  
46 **Rules for Board of Trustee Compensation by the Mendocino County Russian River Flood Control &**  
47 **Water Conservation Improvement District**  
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Trustee Rodrigue moved to waive reading and adopt Ordinance No. 24-01 An Ordinance Establishing Regulations and Rules for Board of Trustee Compensation by the Mendocino County Russian River Flood Control & Water Conservation Improvement District and direct staff to prepare an agenda item for the second reading. Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball).

**ITEMS FOR DISCUSSION AND POSSIBLE ACTION**

**6. Memorandum of Understanding with Redwood Valley County Water District Regarding Annexation**

GM Salomone presented the proposed Memorandum of Understanding (MOU) and answered clarifying questions. Trustee Bailey asked how the cost share was negotiated and members of the Ad Hoc Committee responded.

Treasurer Bailey moved to approve the Memorandum of Understanding between Mendocino County Russian River Flood Control & Water Conservation Improvement District and Redwood Valley County Water District regarding the development of an annexation application to the Mendocino County Local Agency Formation Commission. Trustee Rodrigue seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

Trustee Rodrigue moved to ratify GM Salomone’s authorization in signing the engagement agreement with LACO Associates to assist with the development of the annexation application. Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

The Board directed the LAFCo Ad Hoc Committee to continue development of the application with the Redwood Valley County Water District Ad Hoc, General Manager, and Consultants

**7. California Class Investment Pool**

GM Salomone and Treasurer Bailey presented. Fees for LAIF and CLASS were reviewed.

Trustee Rodrigue moved to approval of Resolution #24-06 Authorizing Participation and Purchase of Shares of Beneficial Interest Issued by the California CLASS from Time to Time; Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

The Board provided direction to the General manager to complete and submit the California CLASS Registration Packet

**8. Financial and Retention Policy Update**

GM Salomone presented the proposed policy updates

Trustee Rodrigue moved to approval Resolution #24-07 Adopting Financial Policies; Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

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Trustee Rodrigue moved to repeal financial policies #23-01, #18-02, #16-02, #02-02, and #93-01; Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

Trustee Rodrigue moved to adopt the Records Retention, Electronic Document Retention, and Electronic Signature Policies; The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

The Board directed staff to finalize the approved Policies and post them on the District website.

### 9. Board Business

President Watt moved to appoint Tyler Rodrigue as the Vice President; Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

## REGULAR BUSINESS, INFORMATION, AND REPORT ITEMS

### 10. Water Supply Conditions Update

GM presented the report.

### 11. Consent Calendar

- a) Acceptance of the July 2024 Financial Reports
- b) Approval of July 1, 2024 Regular Board Meeting minutes
- c) Acceptance of preliminary Fiscal Year 2024-2025 year-end financial reports

Trustee Rodrigue moved to approve the consent calendar. Treasurer Bailey seconded the motion. The motion was approved by the following vote:

Ayes: 3 (Rodrigue, Bailey, Watt)  
Absent: 2 (Reardan, Koball)

The Board reviewed the preliminary FY 24-25 reports and offered feedback for final to be posted on the website.

### 12. Trustee & Committee Reports

#### LAFCo MSR/SOI & Annexation Ad Hoc:

*President Watt* reported that the Ad Hoc met with its Redwood Valley County Water District counterpart and developed the draft MOU (previously approved in this meeting in agenda item 6.) The two Ad Hoc Committees also met with LACO and LAFCo to allow everyone to ask questions and clarify annexation issues.

*Treasurer Bailey* reported meeting with GM Salomone to develop the fiscal year end reports.

### 13. General Manager Report & Correspondence

GM presented report.

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**14. Direction on Future Agenda Items**

Reserves Policy review, Stipend Ordinance, Channel Maintenance and Biological Opinion.

**ADJOURNMENT**

Trustee Rodrigue moved to adjourn the meeting at 6:30 PM. Treasurer Bailey seconded the motion. The motion was approved by the following vote:

- Ayes: 3 (Rodrigue, Bailey, Watt)
- Absent: 2 (Reardan, Koball)

***APPROVED by Board of Trustees on September 9, 2024***

\_\_\_\_\_  
President of the Board of Trustees

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Secretary of the Board of Trustees

<b>President</b>	<b>Vice President</b>	<b>Treasurer</b>	<b>Trustee</b>	<b>Trustee</b>
<i>Christopher Watt</i>	<i>Tyler Rodrigue</i>	<i>John Bailey</i>	<i>John Reardan</i>	<i>Dave Koball</i>

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

**STAFF REPORT**

**Agenda Item 7: Financial Policy Update  
Monday, September 9, 2024**

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

**Background**

The Board approved updated Financial Policies on August 5, 2024 including the reformatting into a Policy Manual.

**Discussion**

In 2022, the District's Auditor, Nigro & Nigro, recommended adoption of a capital assets policy. The Board adopted Policy #22-01 Capital Assets at the August 8, 2022 Board Meeting.

This policy was inadvertently excluded from the updated financial policies. Therefore, Staff recommends adoption of the Capital Assets policy into the new Financial Policies manual and repealing Policy #22-01 Capital Assets.

**Recommendation:**

- Move to adopt 2165 Capital Assets into the Financial Policy section of District policies; and
- Move to repeal Policy #22-01 Capital Assets.

**Attachments:**

- Policy 2165 Capital Assets

\* \* \* \*

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

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

## **Table of Contents:**

**Financial Management Policies**  
2165 Capital Assets

**Last Updated**  
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### **2165 Capital Assets**

The District has an investment in capital assets such as equipment and one vehicle. To improve financial reporting, accountability, and operational efficiencies in managing these assets, the District has established policies for the accounting and reporting of capital assets.

Accurate records of capital assets and their associated accumulated depreciation can also help identify potentially needed replacement and renovation of existing assets. This type of management information is useful in making budgetary decisions for specific requests and long-term capital planning.

#### Statements of Principle

This policy provides a basis for maintaining and reporting auditable information on the District's capital assets in conformity with generally accepted accounting principles (GAAP)<sup>1</sup> and with Governmental Accounting Standards Board Statement No. 34 (GASB 34)<sup>2</sup>, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, (effective fiscal year 2003 for the District,) which outlines the three basic statements of accounting principles:

- a) Reporting Capital Assets
- b) Valuation of Capital Assets
- c) Depreciation of Capital Assets

#### Two Classes of Capital Assets

The District has two classes of capital assets listed below. These are reported in the District's annual financial report and, as may be applicable, their respective capitalization thresholds for external financial reporting are as follows:

1. Equipment, including renovations and improvements that cost more than \$2,000 each is a tangible asset, which may include:
  - a) Is not attached permanently to land, buildings, or land improvements
  - b) Has unique serial numbers
  - c) Is capable of being moved (although some disassembly may be required)
  - d) Can be acquired under a capital lease.

Costs of equipment include the total purchase price, net of purchase discounts, plus any trade-in allowances, transportation charges, installation costs, taxes, and any other costs required to prepare the asset for its intended use. Equipment should be reported as acquisitions when the District physically receives the asset, not at the time when it pays the vendor for the acquisition.

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

2. Vehicles, including renovations and improvements that cost more than \$10,000 each and are capable of being licensed through the California Department of Motor Vehicles.

Vehicle costs include the total purchase price after any purchase discounts, plus any trade-in allowances, transportation charges, taxes, and any other costs required to prepare the vehicle for its intended use.

### **Acquisition Methods and Valuation**

#### Direct Purchase

Acquisition costs and costs to place the asset in use should be capitalized.

#### Exchanges or Trade-ins with Outside Parties

This section covers direct exchanges of assets, whether similar (i.e., assets within the same major class, such as one parcel of land for another similar parcel) or non-similar, between the District and a party external to the District's primary government (i.e., vendors, non-profit organizations, general public, etc.).

When no consideration is involved in the exchange of similar assets, the asset received should be reported at the net book value (historical cost net of accumulated depreciation) of the asset traded or exchanged. When the exchange is for dissimilar assets, however, the fair value of the newly acquired asset should be used for reporting the cost of the asset.

When consideration is either given or received in exchange of similar assets, then the asset received should be recorded at its fair value. Fair value in this case is defined as the sum of the cash paid plus the lesser of either the trade-in value given for the relinquished assets or the net book value of the relinquished asset at the time of the trade. When the exchange is for dissimilar assets, however, fair value is defined as the sum of the cash paid plus the trade-in value of the relinquished asset at the time of the trade.

#### Donations

Capital assets may be acquired by gift from individuals or organizations that are external to the District. In such cases, donated assets should be valued at their estimated fair value at the time of acquisition plus ancillary charges.

#### Capital Assets Acquired through Grants or Contributions

Capital assets acquired through grants or contributions should be reported at historical cost or fair value and depreciated as appropriate. Policy updates will be required if assets do not fall within current asset classes.

#### Depreciation

In keeping with the third basis statement of principle of reporting capital assets, capital assets should be depreciated over their estimated useful lives unless they are inexhaustible. Inexhaustible assets, such as land, should not be depreciated. Accordingly, the District should depreciate capital assets reporting in Equipment and Vehicles Classes.

Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of

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

the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal original cost less salvage value.

## Depreciation Methods

There are many different methods used to calculate depreciation. Some methods allow more depreciation in early years than in later years. Some apply the same percentage each year while the basis declines. Others apply different percentages each year while the basis remains the same.

The District uses the straight-line method (straight-line depreciation is the recommended depreciation method for all government entities.) Under this method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life.

The total amount depreciated can never exceed the asset's historic cost less salvage value. At the end of the asset's estimated life, the salvage value will remain.

Fixed Asset Class	Minimum Amount	Depreciation Period
Equipment	\$2,000	5-10 years
Vehicles	\$10,000	10-15 years

## **Retirements**

### Reasons for Retirement

A capital asset should be reported as retired when it is:

- a) Scrapped or razed
- b) Sold or traded in
- c) Donated
- d) Lost, stolen, or destroyed

An asset should be retired or disposed of when it no longer serves its intended purpose. This can result from technological advances, normal wear-and-tear, destruction through natural causes, or theft.

In cases where a capital asset has been damaged, and management intends to restore the functionality of the asset, the net book value of the portion of the asset that is being replaced should be removed from the total net book value of the asset. This amount, net any insurance proceeds, should be reflected as a loss. The cost to restore the asset to functionality should then be capitalized and depreciated over the remaining life of the asset.

### Declaring an Excess or Surplus

When the District no longer has use for a capital asset, it should be declared as excess or surplus. After such declaration, the District should either transfer the capital asset to another agency, sell the asset at auction, or retire it.

### Retention of Documentation



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A resolution of surplus declaration or some other form of documentation on the declaration of surplus should be placed in the capital asset's permanent file.

## Expeditious Retirement

Capital assets that are no longer needed for District operations should be expeditiously identified and retired.

## Authorization for Retirement

The appropriate releasing authorization, and if necessary, receiving authorization, should be obtained when the District retires a capital asset.

## Disposition Records

Disposition records should include:

- a) Disposition method and date
- b) Date of sale (if sold)
- c) Sale price (if sold)
- d) Method of determining fair value (if sold)

## Record Retention

Records on disposed or retired assets should be maintained to comply with record retention schedules established for accounting records. If litigation involving capital assets has been initiated, the related records should be retained until the litigation is resolved.

## Accounting Treatment for Retirements

A capital asset retirement should be recorded by crediting the appropriate capital asset account for the estimated historical cost of the asset, and by debiting the related accumulated depreciation account. Any net book value (remaining at the time of disposal should be offset against any proceeds received from the disposition of the asset to determine a gain or loss on the disposition. A gain results when proceeds received exceed the asset's book value; a loss results when the asset's book value exceeds the proceeds received.

## Replacement

For an asset replacement, the original asset replaced should be reported as a retirement, and the replacement should be reported as a capital asset addition.

## ***References***

- General Accepted Accounting Principles (GAAP) – The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.
- Governmental Accounting Standards Board (GASB) – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.