

**SANTA YNEZ RIVER WATER
CONSERVATION DISTRICT
JUNE 30, 2023
FINANCIAL STATEMENTS**



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Santa Ynez River Water Conservation District:**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Santa Ynez River Water Conservation District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 8, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of revenues and expenses – actual and budget on page 28 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and the other additional procedures in accordance with GAAS. In our opinion, the supplemental schedule of revenues and expenses – actual and budget is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of Board of Directors on page 29 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
December 6, 2023

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section provides Management's Discussion and Analysis of the Santa Ynez River Water Conservation District's financial performance for the fiscal year ended June 30, 2023. It includes: 1) Background and Discussion of Operations; 2) Revenues and Financial Reporting; 3) Overview of the Financial Statements; 4) Financial Highlights for fiscal years ended June 30, 2023, and 2022; and 5) Economic Factors and Next Year’s Budget.

Background and Discussion of Operations

The District was formed in 1939 under the Water Conservation District Act of 1931 to protect the surface water rights and associated supplies of the citizens of the Santa Ynez Valley from diversion and export from the watershed to the South Coast of Santa Barbara County. This was in response to the construction of two dams on the Santa Ynez River by South Coast interests and plans to build a third which was subsequently constructed by the U.S. Bureau of Reclamation (Reclamation). In 2015, in response to the State of California's historic passage of significant groundwater legislation enacted in 2014 (Sustainable Groundwater Management Act or "SGMA"), the District took a leadership role in initiating additional activities to manage groundwater in the watershed pursuant to SGMA.

District representatives participate in State Water Resources Control Board (SWRCB) activities regulating the flow of the Santa Ynez River, implement various provisions of the SWRCB Orders protecting downstream water rights, and monitor activities by others with regard to the aforementioned agreements and SWRCB Orders. As provided such orders, including WR 2019-0148, the District may call for the release of water stored in Cachuma Reservoir for the benefit of water rights and replenishment of downstream alluvium and groundwater downstream of Bradbury Dam, sometimes referred to as “water rights releases,” and manages the timing and rates of those flows in order to promote recharge along the river and on the Lompoc Plain.

The District's activities in defending the surface water supplies of its constituents from use by outside interests and in implementing SGMA involve the application of technical, regulatory, and legal expertise to resolve surface and groundwater issues along the river and in the adjacent uplands. The District negotiated various agreements over the years with South Coast interests and Reclamation pertaining to the operation of the dams. These agreements have dealt with, among other things, the quantity and quality of water to be released for the benefit of downstream users, peak flow management, and endangered species.

The District requires reporting of and monitors groundwater and other subsurface water pumping, use and levels in the watershed and has managed groundwater studies in the Santa Ynez Uplands, Buellton Uplands and Lompoc Area Basins, and annually levies a groundwater charge on pumping of underground water to fund District activities. In accordance with SGMA, the District, working with its agency partners and constituents, established three Groundwater Sustainability Agencies (GSA) within the Santa Ynez River Valley Groundwater Basin (Basin) and initiated activities to develop three Groundwater Management Plans (GSPs) compliant with the Sustainable Groundwater Management Act (SGMA). In 2016, representatives of the eight partner agencies all agreed through a Memorandum of Understanding (dated May 23, 2016) on the District taking an organizational and coordinating role to develop GSPs for all three GSAs to manage groundwater in the watershed. The District will continue to be involved in the implementation of the three GSPs for the Basin.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Background and Discussion of Operations (Continued)

The District anticipates being a party to three new Joint Powers Agreements as the new governance structures for the three GSAs.

Revenues and Financial Reporting

The District's primary sources of revenue are *ad valorem* property taxes and groundwater pumping charges. Such charges are authorized to be levied "upon the production of groundwater from all water producing facilities...for the benefit of all who rely directly or indirectly upon the groundwater supplies..." (Water Code Section 75522). The District derives a minor portion of its revenue from investment income.

Property taxes are distributed by the County of Santa Barbara to the District according to a formula that was agreed upon in 1978. These taxes do not appear as a separate item on property tax bills but are part of the 1% tax limit on assessed valuation that was imposed State-wide by Proposition 13.

Groundwater pumping charges are set by the Board of Directors each year. About 600 statements are mailed semi-annually at the end of June and December to well owners/operators so that they may self-report and submit payment for incurred groundwater pumping charges for the prior six months of water use. Water use may be calculated using one of several methods, crop-based factors, use categories, or metered water use. (Water Code Section 7500 et seq.) There were no increases in pump charges for fiscal year 2020-2021, and a modest increase for 2021-2022. For 2022-2023, a Proposition 26 compliant single rate for all users was set which resulted in a rate increase for Agricultural production, no change for Special Irrigation production, and a decrease for Other Water production. Each year the Board of Directors evaluates the need to adjust pumping fees based on District costs to run both the surface water and groundwater programs.

Based on the foregoing, the District files its Financial Transaction Reports (FTR) with the State Controller's Office (SCO) under the Flood Control and Water Conservation category as a non-enterprise activity. The District should not be confused with the Santa Ynez River Water Conservation District (Special) Improvement District No. 1 (ID No. 1), which was formed by this District as a water purveyor and became a separate entity. As a separate entity, the ID No. 1 files its FTRs with the SCO under the water utility category as an enterprise activity.

Overview of the Financial Statements

The financial statements in this audit report include: 1) Government-wide Financial Statements, including Statement of Net Position and Statement of Activities; 2) Fund financial Statements, including a Balance Sheet, Statement of Revenues, Expenses, and Changes in Fund Balance, and Reconciliations of these statements to the government-wide financial statements, for the District's major General Fund; and 3) Notes to the Basic Financial Statements. The Notes provide detailed information pertaining to significant accounting policies, cash and investments, property taxes, insurance, net assets, and contingencies. Because the District manages its finances in a single major fund, the government-wide financial statements and fund financial statements present the same financial data in accordance with different accounting policies and in different formats.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Highlights

Government-wide Financial Statement Analysis

**Summary of Net Position
As of June 30**

| | | | 2023 - 2022 Change | |
|----------------------------------|---------------------|---------------------|---------------------------|------------|
| | 2023 | 2022 | \$ | % |
| <u>Assets:</u> | | | | |
| Current and other assets | \$ 2,513,786 | \$ 2,467,297 | \$ 46,489 | 2% |
| Capital assets, net | 16,100 | 18,400 | (2,300) | -14% |
| Total assets | 2,529,886 | 2,485,697 | 44,189 | 2% |
| <u>Liabilities:</u> | | | | |
| Current and other liabilities | 157,465 | 129,333 | 28,132 | 18% |
| Total liabilities | 157,465 | 129,333 | 28,132 | 18% |
| <u>Net Position:</u> | | | | |
| Net investment in capital assets | 16,100 | 18,400 | (2,300) | -14% |
| Unrestricted - reserved | 2,000,000 | 2,000,000 | - | 0% |
| Unrestricted | 356,321 | 337,964 | 18,357 | 5% |
| Total net position | \$ 2,372,421 | \$ 2,356,364 | \$ 16,057 | 1% |

**Summary of Activities
For the Year Ended June 30**

| | | | 2023 - 2022 Change | |
|---|---------------------|---------------------|---------------------------|--------------|
| | 2023 | 2022 | \$ | % |
| <u>Revenue:</u> | | | | |
| Charges for services | \$ 634,079 | \$ 600,284 | \$ 33,795 | 6% |
| Property tax | 385,683 | 354,810 | 30,873 | 9% |
| Grant revenue | 129,600 | - | 129,600 | 100% |
| Unrealized gain (loss) | 9,249 | (41,364) | 50,613 | -122% |
| Interest income | 52,954 | 8,303 | 44,651 | 538% |
| Other revenue | 630 | 40,650 | (40,020) | -98% |
| Total revenue | 1,212,195 | 962,683 | 249,512 | 26% |
| <u>Expenses:</u> | | | | |
| Operating expenses | 1,066,538 | 1,042,704 | 23,834 | 2% |
| SGMA pass-through grant expense | 129,600 | - | 129,600 | 100% |
| Total expenses | 1,196,138 | 1,042,704 | 153,434 | 15% |
| Change in net position | 16,057 | (80,021) | 96,078 | -120% |
| Net position - beginning of year | 2,356,364 | 2,436,385 | (80,021) | -3% |
| Net position - end of year | \$ 2,372,421 | \$ 2,356,364 | \$ 16,057 | 1% |

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights (Continued)

Government-wide Financial Statement Analysis (Continued)

During the year ended June 30, 2023, the District's net position increased by a total of \$16,057 (1%). This is due to revenues exceeding expenses. The District's revenues increased by \$249,512 (26%) and expenses increased by \$153,434 (15%) primarily due to the Department of Water Resources grant revenue and related passthrough expenses being received and recognized in the current year. The Department of Water Resources grant supports the Sustainable Groundwater Management Act, and all grant receipts from the Department of Water Resources were fully passed through to the three Groundwater Sustainability Agencies.

Revenues were also impacted by increases in interest income and unrealized gain/loss primarily due to increases in interest rate during the 2022/2023 fiscal year and overall market conditions at June 30, 2023 as compared to June 30, 2022. This increase was offset by a decrease of \$40,454 in other revenues related to COVID-19 Relief Funds received from the State of California in the prior year which were not recurring.

Significant variances from the prior year related to expenses include increases in pass-through grant expenses of \$129,600 and employee salaries of \$37,547, offset by decreases in SGMA expenses of \$31,263.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 27 of this report.

Economic Factors and Next Year's Budget

Of concern with the self-reporting system for the collection of groundwater pumping charges is the issue of equity: it is important to verify and establish that all wells within the District be registered, and that all wells producing water be assessed the appropriate groundwater pumping charges. This issue will become more visible as the Groundwater Sustainability Plans are implemented, and charges or fees are then adopted by the Groundwater Sustainability Agencies to fund implementation of the adopted plans versus the current funding from cash contributions by the District and GSA partner agencies.

In September 2019, the State Water Resources Control Board (SWRCB) adopted a new Water Rights Order (WRO 2019-0148) which applies to the US Bureau of Reclamation operation of the Cachuma Project, which diverts about 25,000 to 30,000 acre-feet of water annually out of the Santa Ynez watershed to the south coast of Santa Barbara County. This new WRO contained some provisions that are beneficial to Santa Ynez watershed interests, but also mandated certain studies, the outcome of which could have significant impacts on downstream water rights. As with previous SWRCB water rights orders, the District will maintain active advocacy and participation in the study, planning, and operational decisions of the Cachuma Project in order to ensure the preservation of the water rights belonging to downstream properties.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

Economic Factor’s and Next Year’s Budget (Continued)

The federal National Marine Fisheries, acting under the US Congress Endangered Species Act (ESA), will be preparing a new Biological Opinion (BiOp) regarding the endangered southern steelhead, an anadromous form of rainbow trout species known as *O. mykiss*. In 2016, a draft BiOp was issued which contained provisions that were alarming to Santa Ynez River users, if not actually detrimental. Fortunately, this 2016 BiOp was never finalized, and never implemented.

Unlike the SWRCB, which must balance environmental concerns with water rights and economics, the ESA contains no such balancing provisions, but only focuses on what is required to protect endangered species. Currently, the District has assisted the US Bureau of Reclamation in the preparation of a Biological Assessment, which is the first step in the process for NMFS to issue another BiOp. Hopefully there will be a revised BiOp that will not be as impactful in its protective provisions as the draft 2016 version. The future costs to the District for participating in this process, and, if needed, challenging any resulting implementation in order to protect water rights are unknown.

In order to ensure the ability to defend the water rights interests in the watershed, the District has set aside a contingency of \$1.6 million for the legal and engineering defense of water rights or the initiation of litigation if necessary. At this time, neither situation is expected to occur in the near future. However, that future is uncertain, and all effected parties are looking to see how the 2019 SWRCB Water Rights Order will be implemented and/or enforced. The District also maintains a \$400,000 reserve for other unanticipated projects and/or events.

Unknown but planned for costs at this time include the implementation of three Groundwater Sustainability Plans that were adopted and subsequently submitted to DWR in January 2022 as part of the requirements set forth by the California Legislature in SGMA. In 2023, the District, on behalf of the three Groundwater Sustainability Agencies, was awarded an approximately \$5.5 million Proposition 68 Grant from the State of California Department of Water Resources (DWR) to offset the costs for implementation projects of the three GSPs between October 2022 and April 2026 in the Santa Ynez River Valley Groundwater Basin.

For the 2023-24 budget, the District is planning on modest changes in total revenues and expenditures compared to the 2022-23 budget. The groundwater pumping charge is the only source of revenue over which the District has control. The tax revenue is entirely dependent upon the office of the County of Santa Barbara Tax Assessor, an independent elected position which determines tax assessments according to statutory requirements. While the District does have some control over the revenue derived from investment income, investments are restricted by statute. At this time, the District has decided to invest primarily in the State of California Treasurer operated Local Agency Investment Fund (LAIF) and in a Joint Powers Authority investment pool California Cooperative Liquid Assets Securities (Ca CLASS). Both provide liquidity, safety, and a recent rate of return on investment that is significantly less than the rate of inflation.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

ASSETS

Current Assets:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 239,597 |
| Investments | 1,978,563 |
| Accounts receivable | 282,055 |
| Interest receivable | 12,570 |
| Prepaid expenses | 1,001 |
| Total current assets | <u>2,513,786</u> |

| | |
|---|---------------|
| Capital assets, net of accumulated depreciation | <u>16,100</u> |
|---|---------------|

| | |
|--------------|------------------|
| Total assets | <u>2,529,886</u> |
|--------------|------------------|

LIABILITIES

Current Liabilities:

| | |
|-------------------------------|----------------|
| Accounts payable | 104,525 |
| Accrued salaries and benefits | 19,088 |
| Compensated absences payable | 33,852 |
| Total current liabilities | <u>157,465</u> |

| | |
|-------------------|----------------|
| Total liabilities | <u>157,465</u> |
|-------------------|----------------|

NET POSITION

| | |
|--|---------------------|
| Net investment in capital assets | 16,100 |
| Unrestricted, reserved for defense of water rights | 1,600,000 |
| Unrestricted, reserved for unanticipated events | 400,000 |
| Unrestricted | <u>356,321</u> |
| Total net position | <u>\$ 2,372,421</u> |

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expenses)</u> |
|----------------------------------|---------------------|------------------------|----------------------|-----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Net Assets</u> |
| Functions / Programs: | | | | |
| Governmental activities: | | | | |
| Ground water conservation | \$ 1,196,138 | \$ 634,079 | \$ 129,600 | \$ (432,459) |
| Total | <u>\$ 1,196,138</u> | <u>\$ 634,079</u> | <u>\$ 129,600</u> | <u>(432,459)</u> |
| General Revenues: | | | | |
| Property tax | | | | 385,683 |
| Unrealized gain | | | | 9,249 |
| Interest income | | | | 52,954 |
| Other revenue | | | | <u>630</u> |
| Total general revenues | | | | <u>448,516</u> |
| Change in net position | | | | 16,057 |
| Net Position - beginning of year | | | | <u>2,356,364</u> |
| Net Position - end of year | | | | <u>\$ 2,372,421</u> |

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

| | General Fund |
|--|-----------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 239,597 |
| Investments | 1,978,563 |
| Accounts receivable | 282,055 |
| Interest receivable | 12,570 |
| Prepaid expenses | 1,001 |
| | \$ 2,513,786 |
| <u>LIABILITIES AND FUND BALANCES</u> | |
| Liabilities: | |
| Accounts payable | \$ 104,525 |
| Accrued salaries and benefits | 19,088 |
| | 123,613 |
| Fund Balances: | |
| Committed for defense of water rights | 1,600,000 |
| Committed for unanticipated events | 400,000 |
| Unassigned | 390,173 |
| | 2,390,173 |
| Total liabilities and fund balances | \$ 2,513,786 |

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2023

| | |
|--|----------------------------|
| Total fund balance of governmental funds | \$ 2,390,173 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 16,100 |
| Compensated absences reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | <u>(33,852)</u> |
| Net position | <u><u>\$ 2,372,421</u></u> |

See accompanying notes

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023**

| | General |
|---|--------------|
| Revenues: | |
| Ground water charges | \$ 634,079 |
| Property tax | 385,683 |
| Grant revenue | 129,600 |
| Unrealized gain | 9,249 |
| Interest income | 52,954 |
| Other revenue | 630 |
| Total revenues | 1,212,195 |
| Expenditures: | |
| Employee salaries | 453,104 |
| Employee benefits | 7,279 |
| Retirement plan contributions | 28,328 |
| Outside services | 5,333 |
| Office expense | 46,427 |
| Director fees | 4,725 |
| Travel | 7,779 |
| Accounting | 17,862 |
| Insurance and worker's comp | 18,779 |
| Dues and LAFCO fees | 4,567 |
| Legal | 159,518 |
| Engineering and environmental | 50,599 |
| Fishery - hydrology and consultants | 27,394 |
| Water rights | 49,951 |
| Groundwater charges program | 58,966 |
| Sustainable Groundwater Management Act (SGMA) | 102,267 |
| SGMA pass-through grant expenses | 129,600 |
| Special projects | 25,509 |
| Miscellaneous expense | 371 |
| Total expenditures | 1,198,358 |
| Net change in fund balance | 13,837 |
| Fund balance - beginning of year | 2,376,336 |
| Fund balance - end of year | \$ 2,390,173 |

See accompanying notes

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

| | | |
|---|----|---------|
| Net change in fund balance | \$ | 13,837 |
| Amounts reported in the Statement of Activities are different because: | | |
| <p style="margin-left: 40px;">Governmental funds report capital outlay as expenditures; however in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period this amount is:</p> | | |
| Depreciation expense | | (2,300) |
| <p style="margin-left: 40px;">Compensated absences reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p> | | |
| | | 4,520 |
| Change in net position | \$ | 16,057 |

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Nature of the Organization

The Santa Ynez River Water Conservation District was organized in 1939, pursuant to the provisions of the Water Conservation District Law of 1931, and the Water Code pursuant to State of California, Division 21. The annual budget, prepared in advance of each fiscal year, includes an amount deemed necessary to be provided by the levy of taxes within the District. The budget is sent to the County Auditor and County Board of Supervisors in compliance with the California Water Code Section 75351 and Government Code Section 53901.

In 2015, in response to the State of California's historic passage of significant groundwater legislation (Sustainable Groundwater Management Act or "SGMA") in 2014, the District took a leadership role in initiating activities to manage groundwater in the watershed and in 2017, three Groundwater Sustainability Agencies (GSAs) were formed, as discussed in Note 6.

B) Reporting Entity

The District has defined its reporting entity in accordance with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards. These standards provide guidance for determining which governmental activities; organizations and functions should be included in the reporting entity and how information about them should be presented. The basic criterion for inclusion of a governmental unit in a governmental reporting entity are: (1) financial interdependency, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

The scope of this report extends exclusively to the financial information of Santa Ynez River Water Conservation District. The Governing Board of the District has no oversight responsibility over any other governmental unit or District. As such, the Board's governing authority, designation of management, ability to significantly influence operation, and accountability for fiscal matters extend only to the affairs of the District.

C) Basis of Accounting and Measurement Focus

This report has been prepared in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report information on all of the activities of the District. Separate fund financial statements are provided for governmental funds.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

C) Basis of Accounting and Measurement Focus (Continued)

Government-wide Financial Statements - Government-wide financial statements display information about the reporting government as a whole.

Government-wide financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. Under the flow of economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements – The focus of the fund financial statements is on the District’s General Fund, its sole major governmental fund.

The governmental fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District, in general, considers revenues available if they are collected within 120 days after year-end. Expenditures are recorded when the related fund liability is incurred, if measurable. However, expenditures related to compensated absences and claims and judgments are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Inter-fund activity is eliminated for the government-wide financial statements.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

D) Budgetary Procedures

The District prepares an annual budget which includes estimates of its principal sources of revenue to be received during the fiscal year, as well as estimated expenditures and reserves needed for operation of District facilities.

E) Cash and Cash Equivalents

The District considers demand deposits, cash on hand, and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

F) Investments

Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

G) Receivables

Receivables are primarily comprised of ground water service charges. Accounts receivable are considered to be fully collectible. Accordingly, no allowance has been made for doubtful accounts, and accounts receivable are shown at full value.

H) Capital Assets

Capital assets purchased by the District are recorded at cost. The District depreciates its fixed assets by the straight-line method over periods of 5 to 10 years, depending on the estimated useful life of the asset. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and estimated useful life in excess of two years.

I) Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

J) Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

K) Net Position

The Statement of Net Position presents the District's assets and liabilities, with the difference reported as net position. Net position is classified into three components as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.
- *Restricted* – This component of net position consists when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Unrestricted, reserved net position represents unrestricted assets which are segregated by the Board of Directors for specific future uses.

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the District's policy to apply restricted assets first, then unrestricted resources.

L) Fund Balance

In the fund financial statements, governmental funds report fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the use of resources.

- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

L) Fund Balance (Continued)

- *Unassigned fund balance* – the residual classification for the District’s General Fund that included amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditure incurred for specific purposes exceeds the amounts restricted to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by approving contractual commitments, an ordinance or a resolution.

M) Revenue Recognition – Groundwater Charges

The Board of Directors approve groundwater charges annually. On July 1 and January 1, the District mails groundwater statements to well customers for the preceding 6 month period. Customers are required to self-report their water usage and pay the groundwater charges within 30 days of the statement date. Management estimates the amount of groundwater charges the District earned during the year based on subsequent period cash collections. These amounts are recorded as accounts receivable as of June 30, 2023. Customers who did not return their statement within four months of the statement date are not included in accounts receivable as of June 30, 2023.

N) Revenue Recognition – Property Taxes

Property taxes are collected on the tax rolls of the County of Santa Barbara. The District receives an allocation of general property taxes. The property taxes and service charges are recognized when they have been collected by the County and are available for distribution to the District.

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Santa Barbara (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIIA of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

N) Revenue Recognition – Property Taxes (Continued)

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each District represented of the total District-wide levy for the three years prior to fiscal year 1979.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as they exist at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Property Tax Administration Fees – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld.

O) Governmental Accounting Standards Board (GASB) Statements – Recent Updates

On July 1, 2022, the District adopted GASB Accounting Standards Statement 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs) for governments by defining a SBITA, establishing the criteria for recognizing right-to-use subscription assets and corresponding subscription liabilities, and outlining required note disclosures regarding SBITAs. There was not a material impact to net position, revenues, or expenses as a result of applying GASB 96 for the year ended June 30, 2023, and there have not been significant changes to the District's business processes, systems, or internal controls as a result of implementing the standard.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

P) Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

| | |
|---|--|
| Statement No. 100 <i>"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"</i> | The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24) |
| Statement No. 101 <i>"Compensated Absenses"</i> | The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25) |

Note 2 – Cash and Investments

Cash and investments are comprised of the following at June 30, 2023:

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 239,597 |
| Local Agency Investment Fund | 1,576,690 |
| California CLASS | 401,873 |
| Total cash and investments | <u>\$ 2,218,160</u> |

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes the District to invest only in the Local Agency Investment Fund (LAIF), Santa Barbara County Investment Pool (SBIF), California Cooperative Liquid Assets Securities System (CA CLASS), FDIC insured accounts, and any investment authorized by Government Code section 53601 that is approved in advance by the Board of Directors.

Investments

The District participates in LAIF and California Cooperative Liquid Assets Securities System CA CLASS, which are regulated by the California Government Code. The District's investments in LAIF and CA CLASS are highly liquid as deposits and withdrawals can be made at any time without penalty.

The fair value of the District's investment in LAIF is reported in the accompanying financial statements based upon the District's pro rata share of the fair value provided by LAIF, in relation to the amortized cost of the portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The fair value of the District's investment in CA CLASS is measured at \$1 per share, the net asset value (NAV) determined by the pool.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

Interest Rate Risk

The District did not have any investments with fair values that are considered to be highly sensitive to changes in interest rates.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in LAIF and CA CLASS are not rated.

Note 3 – Risk Management

The District participates in the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, for general and auto liability, public officials personal, error and omissions and employment practices liability, workers compensation, property damage, and fidelity insurance. The District pays a premium commensurate with the level of coverage requested. To obtain complete financial information contact SDRMA at 1112 I Street, Suite 300, Sacramento, CA 95814.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, is as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|----------------------------------|----------------------|-------------------|-------------|-------------------|
| Depreciable capital assets: | | | | |
| Leasehold improvements | \$ 23,000 | \$ - | \$ - | \$ 23,000 |
| Total depreciable capital assets | 23,000 | - | - | 23,000 |
| Less: accumulated depreciation | (4,600) | (2,300) | - | (6,900) |
| Net depreciable capital assets | <u>\$ 18,400</u> | <u>\$ (2,300)</u> | <u>\$ -</u> | <u>\$ 16,100</u> |

Note 5 – Deferred Compensation Plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457(b). Additionally, effective January 1, 2022 the District established a profit sharing plan created in accordance with IRC Section 401(a). The plans permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The District annually contributes 100% of employee contributions up to 7% of employee compensation. During the year ended June 30, 2023, the District contributed \$28,328 to the Plans.

All assets of the plans were placed in trusts for the exclusive benefit of participants and their beneficiaries. The requirements of the IRC Sections prescribes that the District no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District's financial statements.

Note 6 – Joint Ventures

Santa Ynez River Valley Basin Eastern Management Area GSA (EMA)

The District is a participant with the City of Solvang, Santa Ynez River Water Conservation District, Improvement District 1, and the County of Santa Barbara Water Agency in a joint venture to oversee the implementation of the Sustainable Groundwater Management Act requirements within the Eastern Management Area of the Santa Ynez River Valley Groundwater Basis. The Eastern Management Agency (EMA), a Groundwater Sustainability Agency (GSA), was created for this purpose. The EMA is governed by a committee which is comprised of one representative and an alternative from each participant.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 – Joint Ventures (Continued)

Santa Ynez River Valley Basin Eastern Management Area GSA (EMA) (Continued)

Voting is weighted as follows:

| <u>Participant</u> | <u>Board Representation</u> |
|--|---------------------------------|
| County of Santa Barbara Water Agency | 5 votes |
| Santa Ynez River Water Conservation District | 3 votes |
| Santa Ynez River Water Conservation District, ID#1 | 2 votes |
| City of Solvang | 1 vote |
| Total | <u>11 votes</u> |

All proposed actions or resolutions must be passed by a simple majority and significant actions, such as forming a Joint Power Agency agreement, require at least 70 percent vote and concurrence of each participant’s governing body. Under the terms of the Memorandum of Agreement dated April 27, 2017, the participating governments are required to pay their pro-rata share of the operating budget. During 2022/2023, the District paid \$10,937 to the EMA. The District also provides project management and other administrative support for the EMA. Financial statements for the EMA can be obtained from the EMA’s administrative office at 3669 Sagunto Street, Suite 101, Santa Ynez, CA 93460.

Santa Ynez River Valley Basin Central Management Area GSA (CMA)

The District is a participant with the City of Buellton and County of Santa Barbara Water Agency in a joint venture to oversee the implementation of the Sustainable Groundwater Management Act requirements within the Central Management Area of the Santa Ynez River Valley Groundwater Basis. The Santa Ynez River Valley Basin Central Management Area GSA (CMA), a Groundwater Sustainability Agency (GSA), was created for this purpose. The CMA is governed by a committee which is comprised of one representative from each participant. Voting is weighted as follows:

| <u>Participant</u> | <u>Board Representation</u> |
|--|---------------------------------|
| Santa Ynez River Water Conservation District | 1 vote |
| City of Buellton | 1 vote |
| Total | <u>2 votes</u> |

The County of Santa Barbara Water Agency is a non-voting participant. All proposed actions or resolutions must be passed by an unanimous vote. Under the terms of the Memorandum of Agreement dated January 11, 2017, the participating governments are required to pay their pro-rata share of the operating budget. During 2022/2023, the District paid \$34,849 to the CMA. The District also provides project management and other administrative support for the CMA. Financial statements for the CMA can be obtained from the CMA’s administrative office at 3669 Sagunto Street, Suite 101, Santa Ynez, CA 93460.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 – Joint Ventures (Continued)

Santa Ynez River Valley Basin Western Management Area GSA (WMA)

The District is a participant with the City of Lompoc, Vandenberg Village Community Services District, Mission Hills Community Services District and the County of Santa Barbara Water Agency in a joint venture to oversee the implementation of the Sustainable Groundwater Management Act requirements within the Western Management Area of the Santa Ynez River Valley Groundwater Basin. The Santa Ynez River Valley Basin Western Management Area GSA (WMA), a Groundwater Sustainability Agency (GSA), was created for this purpose. The WMA is governed by a committee which is comprised of one representative from each participant. Voting is weighted as follows:

| <u>Participant</u> | <u>Board Representation</u> |
|--|---------------------------------|
| Santa Ynez River Water Conservation District | 4 votes |
| City of Lompoc | 2 votes |
| Vandenberg Village Community Services District | 1 vote |
| Mission Hills Community Services District | 1 vote |
| Total | <u>8 votes</u> |

The County of Santa Barbara Water Agency is a non-voting participant. Proposed actions or resolutions must be passed by a simple majority. Actions or resolutions to adopt budgets or any type of fee or charge require at least a 75 percent vote. Under the terms of the Memorandum of Agreement dated January 11, 2017, the participating governments are required to pay all costs incurred. During 2022/2023, the District paid \$30,045 to the WMA. The District also provides project management and other administrative support for the WMA. Financial statements for the WMA can be obtained from the WMA’s administrative office at 3669 Sagunto Street, Suite 101, Santa Ynez, CA 93460.

Note 7 – Contingencies

SWRCB Hearings

The District and other local water agencies are signatories to a 2001 Memorandum of Understanding (MOU) for Cooperation in Research and Fish Maintenance – Santa Ynez River with various federal and state agencies concerning the fishery in Santa Ynez River below Bradbury Dam. In addition, the District along with those other local, state and federal agencies is involved in ongoing quasi-legal proceedings before the State Water Resources Control Board (SWRCB) regarding Cachuma Project permits held by the United States Bureau of Reclamation on behalf of the Cachuma Member Units, including the release of water stored in the Cachuma Project facilities to downstream reaches of the Santa Ynez River.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7 – Contingencies (Continued)

The District and these other local agencies are conducting studies and constructing fish projects on the Santa Ynez River and associated tributaries in connection with the 2000 Biological Opinion issued by the National Marine Fisheries Service to Reclamation, Section 7 Re-consultation under the Endangered Species Act, the SWRCB proceedings and implementing the Lower Santa Ynez River Fish Management Plan, and the cost of those studies is a material annual expense of the District. The outcome of the re-consultation studies, Biological Opinions, and the SWRCB proceedings may affect the amount of water the District receives from the Cachuma Project in future years. The District is a participant in a Cooperation and Joint Defense Agreement and pays its direct costs of these activities.

In September 2019, the State Water Resources Control Board (SWRCB) adopted a new Water Rights Order (WRO 2019-0148) which applies to the US Bureau of Reclamation operation of the Cachuma Project. As with previous SWRCB water rights orders, the District will maintain active advocacy and participation in the study, planning, and operational decisions of the Cachuma Project in order to ensure the preservation of the water rights belonging to downstream properties.

Legal Matters

In the ordinary course of conducting business, various legal proceedings may be pending, however, in the opinion of the District's management, the ultimate disposition of these matters will have no significant impact on the financial position of the District.

Note 8 – Lease Commitment

The District has a lease agreement for office space in Santa Ynez, California beginning August 1, 2018 and expiring July 31, 2023. Monthly rent is \$1,500. Annual rent expense under the lease as of June 30, 2023 was \$18,000. In July 2023 a five year extension was executed, extending the lease through July 31, 2028 with monthly rent of \$1,600.

No right of use asset or lease liability has been recorded at June 30, 2023 due to immateriality. At the effective date of the extension, August 1, 2023, a right of use asset and corresponding liability for \$86,675 will be recorded.

Future minimum lease commitments are as follows for the years ending June 30:

| | | |
|------|----|---------------|
| 2024 | \$ | 19,100 |
| 2025 | | 19,200 |
| 2026 | | 19,200 |
| 2027 | | 19,200 |
| 2028 | | 1,600 |
| | \$ | <u>78,300</u> |

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9 – Subsequent Events

Subsequent events have been evaluated through December 6, 2023, the date the financial statements were available to be issued.

In July 2023 the District extended their office lease agreement through July 31, 2028. See Note 8 for additional information.

Supplementary Information

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES - ACTUAL AND BUDGET
For the Year Ended June 30, 2023

| | 2023 Actual | 2023 Budget | 2023 Over/(Under) |
|--|------------------------|------------------------|------------------------------|
| Revenues: | | | |
| Ground water charges | \$ 634,079 | \$ 674,000 | \$ (39,921) |
| Property tax | 385,683 | 355,000 | 30,683 |
| Grant revenue | 129,600 | 48,000 | 81,600 |
| Unrealized gain | 9,249 | - | 9,249 |
| Interest income | 52,954 | 10,000 | 42,954 |
| Other revenue | 630 | - | 630 |
| Total revenues | 1,212,195 | 1,087,000 | 125,195 |
| Expenditures: | | | |
| Employee salaries | 453,104 | 452,000 | 1,104 |
| Employee benefits | 7,279 | 6,000 | 1,279 |
| Retirement plan contributions | 28,328 | 30,000 | (1,672) |
| Outside services | 5,333 | 7,000 | (1,667) |
| Office expense | 46,427 | 60,000 | (13,573) |
| Director fees | 4,725 | 6,000 | (1,275) |
| Travel | 7,779 | 7,000 | 779 |
| Accounting | 17,862 | 12,000 | 5,862 |
| Insurance and worker's comp | 18,779 | 20,000 | (1,221) |
| Dues and LAFCO fees | 4,567 | 5,000 | (433) |
| Legal | 159,518 | 100,000 | 59,518 |
| Engineering and environmental | 50,599 | 35,000 | 15,599 |
| Fishery - hydrology and consultants | 27,394 | 60,000 | (32,606) |
| Water rights | 49,951 | 85,000 | (35,049) |
| Groundwater charges program | 58,966 | 65,000 | (6,034) |
| Sustainable Groundwater Management Act | 102,267 | 150,000 | (47,733) |
| SGMA pass-through grant expenses | 129,600 | - | 129,600 |
| Special projects | 25,509 | 50,000 | (24,491) |
| Miscellaneous expense | 371 | 3,000 | (2,629) |
| Total expenditures | 1,198,358 | 1,153,000 | 45,358 |
| Change in Fund Balance | \$ 13,837 | \$ (66,000) | \$ 79,837 |

Other Information

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS**

| Name | Position | Term Expires |
|--|------------|----------------|
| Cynthia Allen, President | Division 1 | December 2026 |
| J. Brett Marymee, Vice President | Division 5 | December 2026 |
| Steven Jordan | Division 2 | December 2024 |
| Mark Altshuler | Division 3 | December 2024 |
| Art Hibbits (* Retired June 30, 2023) | Division 4 | *June 30, 2023 |
| Larry Lahr (Appointed August 15, 2023) | Division 4 | December 2024 |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Directors
Santa Ynez River Water Conservation District:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Santa Ynez River Water Conservation District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2023.

Report on 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Santa Ynez River Water Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bartlett, Pringle + Wolf, LLP

Santa Barbara, California
December 6, 2023