

**Santa Ynez River Water  
Conservation District  
Financial Statement Audit  
For the year ended June 30, 2020**

Nina Pisani, Audit Supervisor  
**Bartlett, Pringle and Wolf, LLP**

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**Presentation Overview**

1. Independent Auditor's Report
2. Required Communications
3. Significant Estimate in the Financial Statements
4. Basic Financial Statements
5. Year in Review: Overview of Significant Changes
6. Financial Statement Footnote Highlights
7. Internal Control Matters

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## **Independent Auditor's Report**

### **Unmodified Opinion (Clean Opinion)**

Our audit was performed 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.

We considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the respective changes in financial position and cash flows the years ended June 30, 2019.

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## **Required Communications**

1. We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
2. We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies or practices related to material items during the current audit period.
3. There were no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

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### **Required Communications**

4. The District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.
5. We did not encounter any difficulties in dealing with management during the audit.

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### **Significant estimate in the Financial Statements**

1. Groundwater Charges Accounts Receivable:  
Estimated based on self reporting statements received after June 30, 2020.

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## Basic Financial Statements

- **Government-Wide Financial Statements**
  - Accrual basis of accounting
  - Revenues are recorded when earned and liability is recorded when incurred. This is regardless of timing of cash flow.
- **Governmental Funds Financial Statements**
  - Modified accrual basis of accounting.
  - Flow of current financial resources measurement focus.
  - Revenue are recorded when susceptible to accrual: measurable and available.

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## Basic Financial Statements

- What is the difference as it relates to the District?
- Compensated Absences and Capital Assets are only shown on the government wide financial statements.

SANTA SUEZ RIVER WATER CONSERVATION DISTRICT RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended June 30, 2020	
Total fund balance of governmental funds	\$ 2,862,708
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	23,000
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	110,920
Net position	<u>\$ 2,845,128</u>

See accompanying notes  
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### Year in Review: June 30, 2020 Snapshot

- Total Assets are \$2.66 million, of which \$2.3 million consists of cash and investments.
- Total Liabilities are \$144k which is higher than 2019 at \$86k. This increase is due to a new liability of \$85.7k to reflect grants to be paid to the Groundwater Sustainability Agencies.
- Net Position at June 30, 2020 was \$2.5 million, which is a decrease of \$50k. The Board has reserved \$2 million for specific purposes.

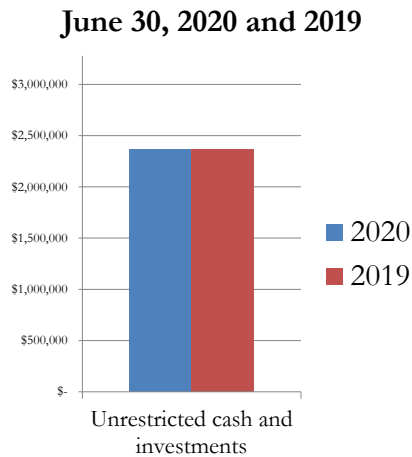
SANTA YNEZ RIVER WATER CONSERVATION DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2020		
	General Fund	2019 Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 117,418	\$ 117,418
Investments	2,208,067	2,208,067
Accounts receivable	204,579	204,579
Interest receivable	7,293	7,293
Prepaid expenses	430	430
<b>Total assets</b>	<b>\$ 2,637,774</b>	<b>\$ 2,637,774</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 15,211	\$ 15,211
Accrued salaries and benefits	16,152	16,152
Grant reimbursements due to agencies	85,701	85,701
<b>Total liabilities</b>	<b>117,064</b>	<b>117,064</b>
<b>Fund Balances:</b>		
Committed for Sustainable Groundwater Management Act	400,000	400,000
Committed for engineering and hydrology	1,600,000	1,600,000
Unassigned	502,704	502,704
<b>Total fund balances</b>	<b>2,502,710</b>	<b>2,502,710</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,637,774</b>	<b>\$ 2,637,774</b>

**DRAFT** See accompanying notes -11-

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### Balance Sheet Analysis

- Cash and investments remained comparable 2020 to 2019.
- District investments are held in LAIF and SB County Investment Fund.



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### Year in Review: June 30, 2020 Snapshot

- Total operating revenue was \$1.3. This includes Prop 13 grant revenue received - \$457k.
- Total operating expenses was \$1.4 million, which includes the pass grant expense - \$457k.
- Change in Net Position was \$50k for 2020.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS For the year ended June 30, 2020		
	Current	2019 Total
<b>Revenues:</b>		
Ground water charges	\$ 549,144	\$ 549,144
Property tax	330,145	330,145
Grant revenue	417,484	417,484
Investment income	51,323	51,323
Other revenues	893	893
<b>Total revenues</b>	<b>1,376,989</b>	<b>1,376,989</b>
<b>Expenditures:</b>		
Employee salaries	348,283	348,283
Employee benefits	1,681	1,681
Retirement plan contributions	14,812	14,812
Outside services	3,416	3,416
Office expenses	42,944	42,944
Dues and fees	2,100	2,100
Travel	1,477	1,477
Accounting	4,672	4,672
Insurance and worker's comp	10,111	10,111
Dues and LAFCO Fees	2,281	2,281
Legal	90,400	90,400
Engineering and environmental	33,840	33,840
Fishery - hydrology and consultants	29,299	29,299
Water rights	42,150	42,150
Groundwater charges program	18,626	18,626
Sustainable Groundwater Management Act	218,262	218,262
Sustainable Groundwater Management Act - pass through grant expense	417,484	417,484
Special programs	17,068	17,068
Capital outlay	23,000	23,000
Miscellaneous expense	1,246	1,246
<b>Total expenditures</b>	<b>1,429,710</b>	<b>1,429,710</b>
<b>Net change in fund balance</b>	<b>(52,721)</b>	<b>(52,721)</b>
Fund balance - beginning of year, as restated	2,552,910	2,552,910
<b>Fund balance, end of year</b>	<b>\$ 2,500,189</b>	<b>\$ 2,500,189</b>

See accompanying notes  
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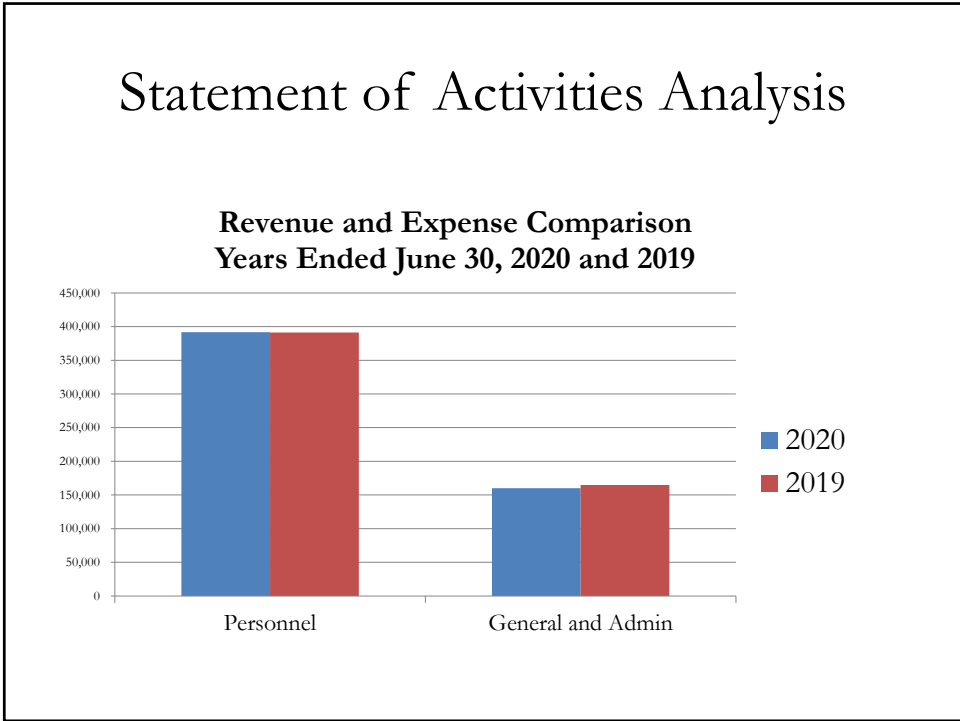
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## Statement of Activities Analysis

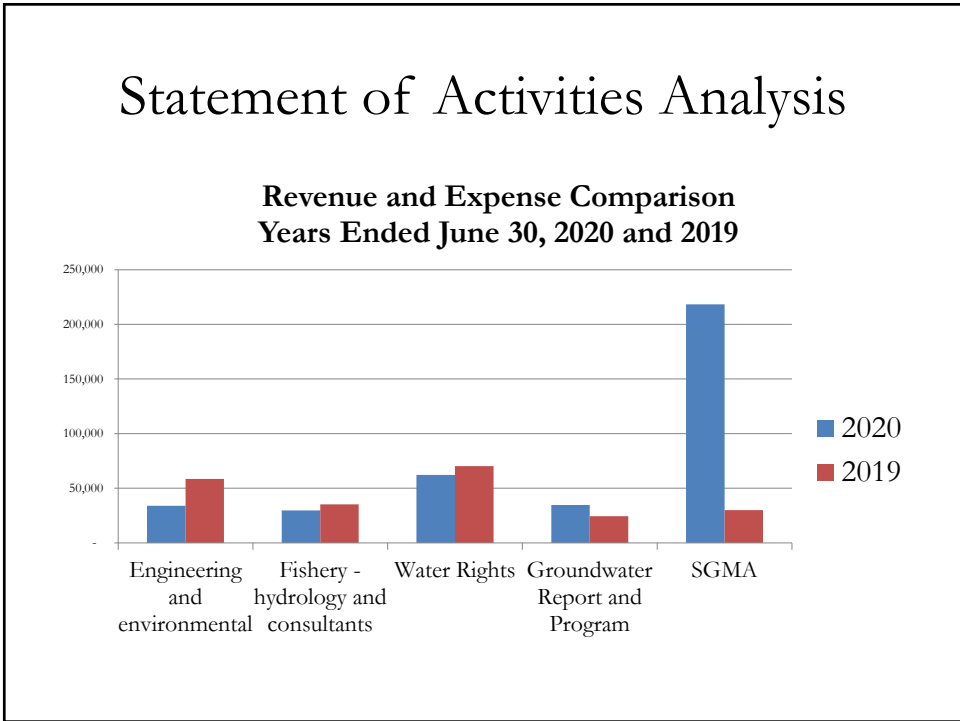
Revenue Comparison  
Years Ended June 30, 2020 and 2019



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# Financial Statement Footnotes Highlights

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS

**Note 4 - Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2020, is as follows:

	6/30/2019		6/30/2020	
	Beginning	Ending	Beginning	Ending
Depreciable capital assets:				
Landfill improvements	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Total depreciable capital assets	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Less accumulated depreciation	\$ -	\$ -	\$ -	\$ -
Net depreciable capital assets	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000

**Note 5 - Deferred Compensation Plan**

The District offers to employees a defined compensation plan entered in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. The District annually contributes 50% of employee contributions up to 7% of employee compensation. Effective July 1, 2020, this was increased to 7%. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of the IRC Section prescribe 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 savings on plan assets, are not included in the District's financial statements. During 2020, the District contributed \$14,612 to the Plan.

**Note 6 - Joint Ventures**

**Santa Ynez River Valley Basin Estuary Management Area (SVEJMA)**

The District is a participant with the City of Solvang, Santa Ynez River Water Conservation District, Imperial County District 1, and the County of Santa Barbara Water Agency in a joint venture to oversee the implementation of the Sustainable Conservation Management Act requirements within the Estuary Management Area of the Santa Ynez River Valley Groundwater Basin. The Estuary Management Agency (EMA), a conservation sustainability Agency (CSA), was created for this purpose. The EMA is governed by a committee which is comprised of representatives and an alternate from each participant. Voting is weighted as follows:

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**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS

**Note 7 - Department of Water Resources Proposition 1 and 48 Grants (Continued)**

During 2020, the District distributed the grant reimbursements as follows:

EMA	\$ 67,790
CMA	115,397
WMA	168,842
Total	\$ 352,029

During 2020, the District was awarded a \$296,000 cost share grant from the State of California Department of Water Resources Proposition 48 Grant for the purpose of the Santa Ynez River Valley Basin Groundwater Sustainability Plan planning and preparation. The grant supports the operations of the CMA and WMA. During the year, the District did not incur any expenditures for reimbursement.

**Note 8 - Contingent Liabilities**

**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 Broadway Dam. In addition, the District along with three other local, state and federal agencies is involved in ongoing quasi-legal proceedings before the State Water Resources Control Board (SWRCB) regarding Cuchuma Project system, held by the United States Bureau of Reclamation on behalf of the Cuchuma Monitor Unit, including the release of water stored in the Cuchuma Project facilities to downstream reaches of the Santa Ynez River.

The District and these other local agencies are conducting studies and conducting fish projects on the Santa Ynez River and associated tributaries in connection with the 2003 Biological Opinion issued by the National Marine Fisheries Service to Reclamation, Section 7 Reconsideration 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 reconsideration studies, Biological Opinions, and the SWRCB proceedings may affect the amount of water the District receives from the Cuchuma 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) 2019-0140 which applies to the US Bureau of Reclamation operation of the Cuchuma 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 Cuchuma Project in order to ensure the preservation of the water rights belonging to downstream properties.

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# Financial Statement Footnotes Highlights

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS

**Note 9 - Lease Commitments**

The District entered into a year lease agreement for office space in Santa Ynez, California beginning August 1, 2019 and expiring July 31, 2023. Monthly rent is \$1,500. Rent expense under the lease as of June 30, 2020 was \$18,000. Future minimum lease commitments for the lease are as follows for the years ending June 30:

2021	\$ 18,000
2022	18,000
2023	18,000
2024	1,500
Total	\$ 54,000

**Note 10 - Contingencies**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economic and financial markets of many countries, including the geographical areas in which the District operates.

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 11 - Subsequent Events**

Subsequent events have been evaluated through December 2, 2020, the date the financial statements were available to be issued.

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# Internal Control Matters

- In conjunction with our audit, we issued a Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.



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# Internal Control Matters

- During the audit, we noted the District implemented all internal control suggestions identified during the 2019 audit.
- Summary of New Procedures:
  - All employee reimbursements are approved by the General Manager
  - The General Manager reviews the bank statements and cancelled checks.

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## Internal Control Matters

- Summary of New Procedures (Continued):
  - The General Manager initial all invoices as evidence of their review and approval of the expense.
  - The General Manager and District Administrator review the bank reconciliation monthly