

**VENTURA RIVER
WATER DISTRICT
June 30, 2020 and 2019
FINANCIAL STATEMENTS**



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

VENTURA RIVER WATER DISTRICT

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**VENTURA RIVER WATER DISTRICT
GOVERNING BOARD OF DIRECTORS
For the year ended June 30, 2020**

Governing Board of Directors

<u>Name</u>	<u>Office</u>
Ed Lee	President
Bruce Kuebler	Vice President
Jack Curtis	Treasurer
Peggy Wiles	Director
Marvin Hanson	Director (July 2019 - June 2020)
Nathan Rosser	Director (June 2020)

Administration

Bert Rapp	General Manager
Amy Joy Bakken	Office Manager

See accompanying notes



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Ventura River Water District:**

Report on the Financial Statements

We have audited the accompanying financial statements of the Ventura River Water District (the "District") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Ventura River Water District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ventura River Water District as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, the California Public Employees' Retirement System Schedule of Ventura River Water District's Proportionate Share of the Net Pension Liability on page 32, and the California Public Employees' Retirement System Schedule of Ventura River Water District's Contributions on page 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinion on the financial statements that collectively comprise the Ventura River Water District's financial statements as a whole. The Ventura River Water District Statement of Revenues, Expenses and Changes in Net Position - Budget to Actual on page 34, the Schedule of Selected Operating Expenses on page 35 and the Organization of the District on pages 36 through 37 are presented for purposes of additional analysis and are not a required part of the financial statements. The aforementioned supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California

December 16, 2020

VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ventura River Water District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended June 30, 2020 and June 30, 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The basic financial statements can be found on pages 11-31 of this report. The business-type activities of the District are conducted by the District, which is governed by its own elected five-person board of directors. The District's only business is providing domestic water. The District uses enterprise funds to account for its water operations.

The *Statements of Net Position* is intended to disclose the financial position of the District at a specific point in time, June 30, 2020 and June 30, 2019. It reflects the assets and deferred outflows of the District, as well as the liabilities, deferred inflows, and net position (equity). Assets and liabilities are listed in order of their estimated liquidity. Cash and other unrestricted assets readily convertible to cash are listed first. Capital assets are listed near the bottom of assets because they are highly illiquid. Further, capital assets are reduced by depreciation. This is the estimated diminution of value attributable to the wear and tear of assets caused by the usage and the passage of time.

The *Statements of Revenues, Expenses and Changes in Net Position* is intended to disclose the results of operations over a period of time, the fiscal year ended June 30, 2020 and June 30, 2019. This statement reflects revenues earned (whether collected or not), and expenses incurred (whether paid or not) during the year. This statement differs significantly from the statement of net position, yet coordinates well with that statement. The net earnings of the District flows into the net position of the District as reflected on the statement of net position.

The *Statements of Cash Flows* combines aspects of both the statement of net position and the statement of revenues, expenses and changes in net position and discloses how cash flows through the District.

Other Information

In addition to the basic financial statements, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligations. *Required supplementary information* can be found on pages 32-33 of this report. *Supplementary information* concerning the organization of the District and selected operating expenses can be found on pages 34-37.

Financial Analysis and Highlights

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$7,793,316 (*net position*). Of this amount \$1,703,435 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors and provide for projected capital improvements as outlined in the District's 10-year capital improvement plan.

**VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The statement of net position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The District's total net position increased by \$349,497. Overall, Operating Revenues increased by \$63,332. Water Sales increased by \$51,902 due primarily to increased consumption. Total Operating Expenses increased by \$263,575. The largest portions of the increase includes the UVRGA Pump Fee, Salaries and Contract Labor. Upper Ventura River Groundwater Agency (UVRGA) Pump Fee is a new expense for FY20 and includes the extraction fee charged for water purveyors based on Acre Feet of water pumped. Salaries increased compared to the prior year by \$41,094. The increase in salaries compared to the prior year is due to cost of living and merit increases. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus some revenues and expenses are reported for some items that will only result in cash flows (inflows and outflows of cash) in future fiscal periods (e.g. earned but unused vacation leave).

The District's total liabilities and deferred inflows of resources increased \$512,050.

The largest portion of the District's net position \$6,089,881 (78 percent) reflects its investment in capital assets. (e.g., land, buildings, machinery and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in capital assets is reported net of debt, it is not a spendable resource. The resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The *unrestricted net position* \$1,703,435 (22 percent) may be used to meet the District's ongoing obligations to citizens and creditors.

**Table 1
Net Positions Components**

Description	2020	2019	2018
Current Assets	\$ 1,683,684	\$ 3,061,505	\$ 3,251,837
Capital Assets	6,089,881	5,379,681	4,145,421
Non-Current Assets	500,105	-	-
Deferred Outflow of Resources	168,684	163,721	156,085
Total Assets	8,442,354	8,604,907	7,553,343
Current Liabilities	138,914	714,703	238,354
Net Pension Liability	455,250	397,022	409,855
Deferred Inflow of Resources	54,874	49,363	45,778
Total Liabilities	649,038	1,161,088	693,987
Net Investment in Capital Assets	6,089,881	5,379,681	4,145,421
Unrestricted net position amounts	1,703,435	2,064,138	2,713,935
Total Net Position	\$ 7,793,316	\$ 7,443,819	\$ 6,859,356

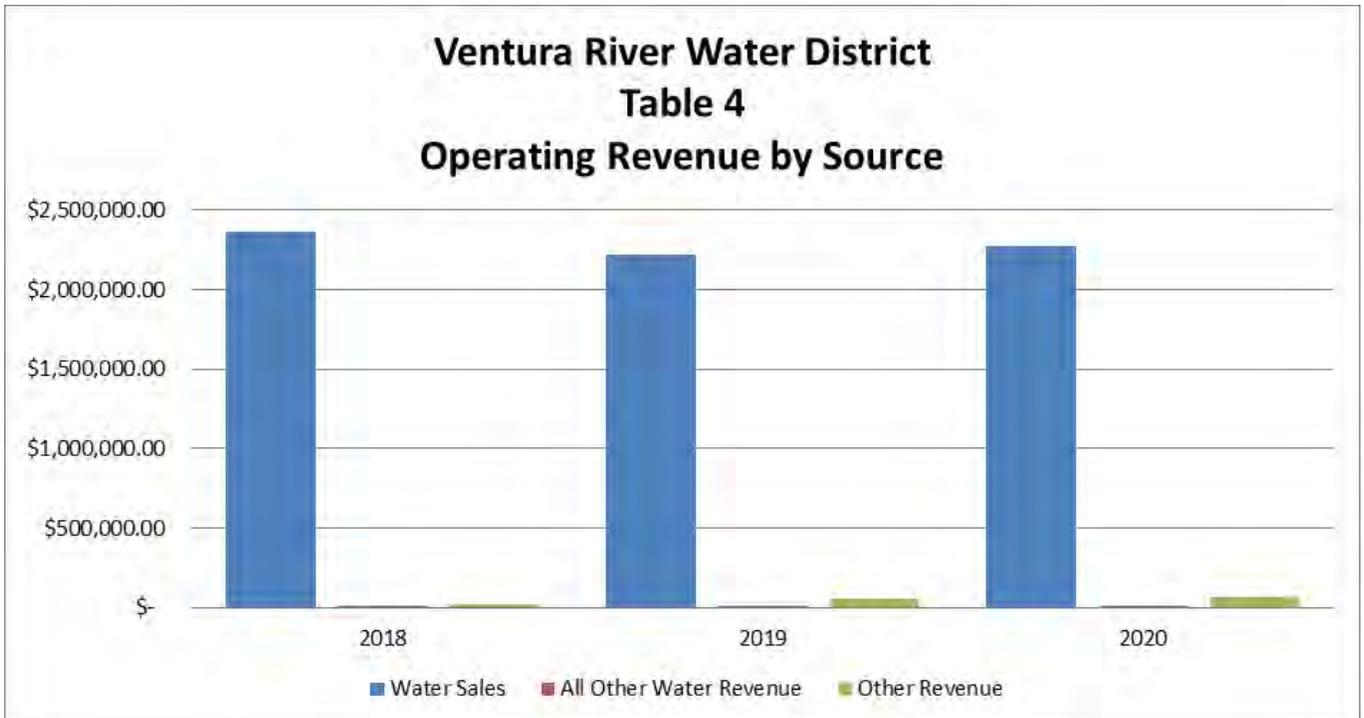
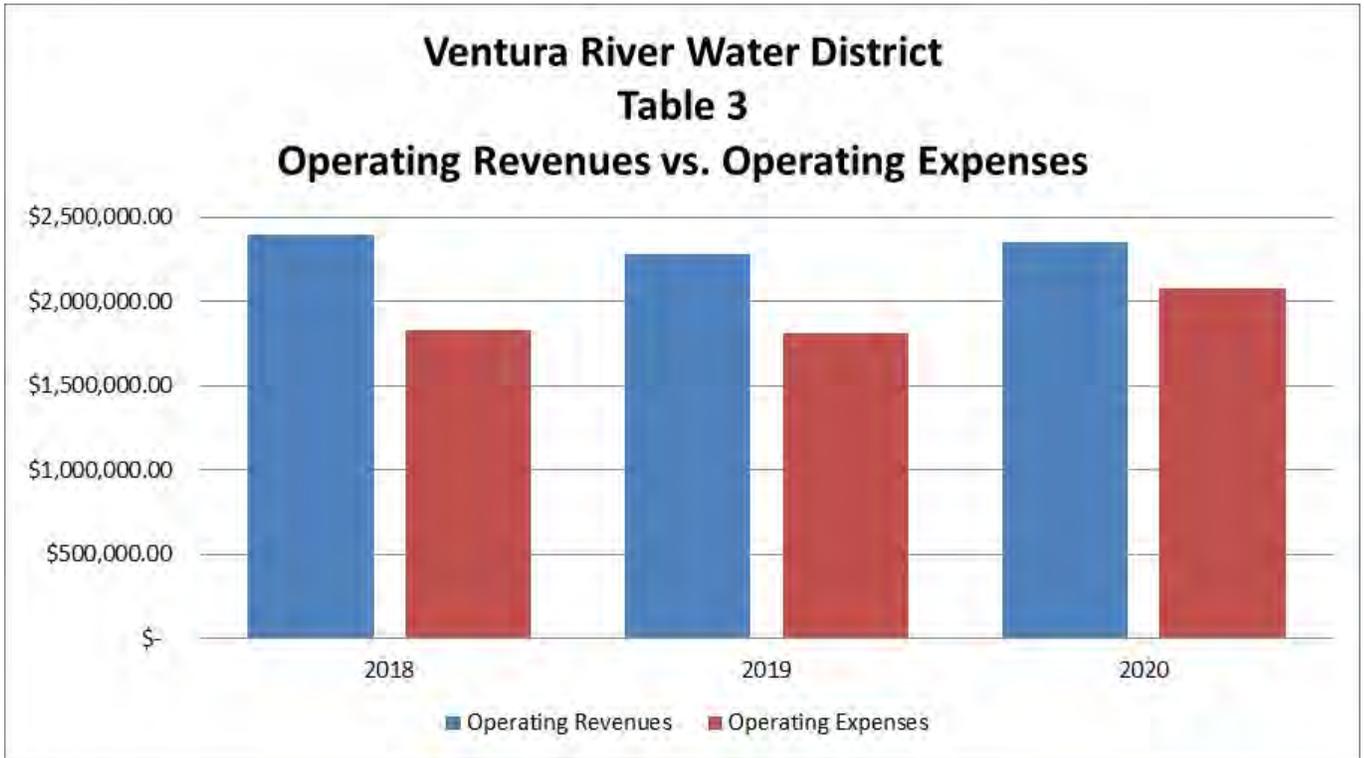
**VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of the current fiscal year, the District is able to report positive balances in its net position. The same situation held true for the prior fiscal years.

**VENTURA RIVER WATER DISTRICT
Table 2
Changes in Net Position**

Description	2020	2019	2018
Operating Revenues			
Water sales	\$ 2,274,354	\$ 2,222,452	\$ 2,364,943
All other water revenue	5,402	6,998	9,751
Other revenues	69,145	56,119	19,170
Total Operating Revenues	2,348,901	2,285,569	2,393,864
Non-Operating Revenue			
Interest income	25,640	58,867	32,265
Tax revenue, current secured	49,245	50,741	44,734
Total Non-Operating Revenues	74,885	109,608	76,999
Total Revenues	2,423,786	2,395,177	2,470,863
Operating Expenses			
Salaries and related items	955,462	812,079	823,630
Water Purchases	97,290	84,623	79,974
Utilities	79,440	81,370	99,218
Water System Maintenance	181,406	190,161	182,701
Depreciation	291,166	292,321	244,552
Administrative Expenses			
Insurance	34,471	36,279	38,769
Legal Fees	59,264	35,654	56,859
Engineering and Professional Fees	20,050	16,840	89,026
Other Administrative Expenses	355,740	261,387	216,020
Total Operating Expenses	2,074,289	1,810,714	1,830,749
Increase in Net Position	349,497	584,463	640,114
Net Position Beginning	7,443,819	6,859,356	6,219,242
Net Position Ending	\$ 7,793,316	\$ 7,443,819	\$ 6,859,356

**VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**



**VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Analysis of balances and transactions of funds

The District is a single purpose, proprietary entity, and as such, does not maintain multiple fund types. Consequently, there are no inter-fund balances. The analysis of balances is shown above in tables one and two, and in the section labeled "Financial Highlights".

Analysis of variations between original and final budget amounts

The District adopts its budget in accordance with California law. It is policy to not modify the budget in total, although certain reallocations of expenditures may occasionally be made. The budget is adopted on a projected cash flow basis. Consequently, it reflects such items as projected capital expenditures as cash outflows that are not recognized as expenses under Generally Accepted Accounting Principles.

VENTURA RIVER WATER DISTRICT
Table 5
Significant Budget Variances

Description	Budget	Actual	Variance	Explanation
Water Sales	\$ 2,336,000	\$ 2,274,354	\$ 61,646	Water sales came in lower than expected this year due to customer conservation efforts
Public Employees Retirement System	\$ 78,000	\$ 131,396	\$ (53,396)	Impact of the increase in the net pension liability not included in budget
Contract Labor	\$ 101,300	\$ 112,507	\$ (11,207)	Large leak behind Vons in September 2019 pushed this account over budget
Depreciation	\$ 245,000	\$ 291,166	\$ (46,166)	Under-budgeted based on projects expected to complete (updated for FY21 budget) Certain projects, such as Santa Ana Blvd Fire Flow Upgrade, were postponed and the Valley Meadow
Water System Improvements	\$ 1,696,438	\$ 951,415	\$ 745,023	Drive project was inadvertently overbudgeted. There were also projects included in the budget that will continue into the next fiscal year.
			<u>\$ 695,900</u>	

Capital Assets

The District's investment in capital assets for its business type activities as of June 30, 2020 amounts to \$6,089,881 (*net of accumulated depreciation*). This investment in capital assets includes land, buildings, water system facilities, improvements, and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$710,200 due to additions, disposals, and depreciation.

Ventura River Water District
Table 6
Capital Assets
(Net of depreciation)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land, Water and Rights of Way	\$ 295,905	\$ 295,905	\$ 295,905
Construction in Progress	78,578	836,293	133,056
Buildings	465,408	465,408	465,408
Vehicles	274,233	274,233	266,628
Furniture and Equipment	428,297	361,906	349,350
Utility plant	9,847,864	8,155,174	7,391,191
Total capital assets	11,390,285	10,388,919	8,901,538
Less: Accumulated depreciation	(5,300,404)	(5,009,238)	(4,756,117)
Net capital assets	\$ 6,089,881	\$ 5,379,681	\$ 4,145,421

**VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional information on the District's capital assets can be found in Note 1 on page 17 and Note 5 on page 23 of this report.

Infrastructure Assets

The District has adopted the recommended approach of GASB Statement No. 34 with regard to infrastructure assets. All identifiable infrastructure assets have been capitalized at their purchase cost, estimated value for contributed or donated assets, or estimated cost for those items expensed in prior years and not previously capitalized.

Economic Factors and Rates

- The water budget rate structure implemented in February 2018 remained in effect during this fiscal year. The rate structure was not changed and there was no rate increase required.

All of these factors were considered in preparing the District's budget for the 2020 - 2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's financial position for all those with an interest in the District's finances. Questions or requests for additional financial information should be directed to: Ventura River Water District, 409 Old Baldwin Road, Ojai, CA 93023

VENTURA RIVER WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current Assets:		
Cash in bank	\$ 147,540	\$ 730,495
Cash equivalents	1,158,024	2,022,212
Cash restricted for customer deposits	10,737	27,924
Accounts receivable, trade	272,543	184,162
Other accounts receivable	77	77
Interest receivable	3,378	14,358
Prepaid expenses	91,385	82,277
Total current assets	<u>1,683,684</u>	<u>3,061,505</u>
Non-Current Assets:		
Investments	500,105	-
Capital Assets:		
Land, water and rights of way	295,905	295,905
Construction in process	78,578	836,293
Buildings	465,408	465,408
Vehicles	274,233	274,233
Furniture and equipment	428,297	361,906
Utility plant	9,847,864	8,155,174
Total property, plant and equipment	<u>11,390,285</u>	<u>10,388,919</u>
Less: accumulated depreciation	<u>(5,300,404)</u>	<u>(5,009,238)</u>
Net capital assets	<u>6,089,881</u>	<u>5,379,681</u>
Total non-current assets	<u>6,589,986</u>	<u>5,379,681</u>
Total assets	<u>8,273,670</u>	<u>8,441,186</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pensions	<u>168,684</u>	<u>\$ 163,721</u>
Total assets and deferred outflows of resources	<u>\$ 8,442,354</u>	<u>\$ 8,604,907</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 64,362	\$ 652,334
Accrued payroll and related items	63,815	40,291
Restricted and other deposits	10,737	22,078
Total current liabilities	<u>138,914</u>	<u>714,703</u>
Long-Term Liabilities:		
Net pension liability	455,250	397,022
Total long-term liabilities	<u>455,250</u>	<u>397,022</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pensions	54,874	49,363
Total liabilities and deferred inflows of resources	<u>649,038</u>	<u>1,161,088</u>
NET POSITION:		
Net investment in capital assets	6,089,881	5,379,681
Unrestricted	1,703,435	2,064,138
Total net position	<u>\$ 7,793,316</u>	<u>\$ 7,443,819</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Water sales	\$ 2,274,354	\$ 2,222,452
All other water revenue	5,402	6,998
Other revenues	69,145	56,119
Total operating revenues	<u>2,348,901</u>	<u>2,285,569</u>
Operating Expenses:		
Salaries and related items	955,462	812,079
Water purchases	97,290	84,623
Utilities	79,440	81,370
Water system maintenance	181,406	190,161
Depreciation	291,166	292,321
Insurance	34,471	36,279
Legal fees	59,264	35,654
Engineering and professional fees	20,050	16,840
Other administrative expenses	355,740	261,387
Total operating expenses	<u>2,074,289</u>	<u>1,810,714</u>
Operating income	<u>274,612</u>	<u>474,855</u>
Non-operating Income:		
Interest income	25,640	58,867
Tax revenue, current secured	49,245	50,741
Total non-operating income	<u>74,885</u>	<u>109,608</u>
Change in net position	349,497	584,463
Net position, beginning of year	<u>7,443,819</u>	<u>6,859,356</u>
Net position, end of year	<u>\$ 7,793,316</u>	<u>\$ 7,443,819</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 2,260,520	\$ 2,337,539
Payments to employees	(873,162)	(832,600)
Payments to suppliers	(1,424,741)	(252,841)
Net cash and cash equivalents provided (used) by operating activities	<u>(37,383)</u>	<u>1,252,098</u>
Cash Flows from Non-Capital Financing Activities:		
Net change in customer deposits	(11,341)	27
Tax revenues received	49,245	50,741
Net cash and cash equivalents provided by non-capital financing activities	<u>37,904</u>	<u>50,768</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(1,001,366)	(1,526,581)
Net cash and cash equivalents used by capital and related financing activities	<u>(1,001,366)</u>	<u>(1,526,581)</u>
Cash Flows from Investing Activities:		
Interest received	36,620	54,198
Purchase of investments	(500,105)	-
Net cash and cash equivalents provided by investing activities	<u>(463,485)</u>	<u>54,198</u>
Decrease in cash and cash equivalents	(1,464,330)	(169,517)
Cash and cash equivalents, beginning of year	<u>2,780,631</u>	<u>2,950,148</u>
Cash and cash equivalents, end of year	<u>\$ 1,316,301</u>	<u>\$ 2,780,631</u>
Reconciliation to Statements of Net Position:		
Cash in bank	\$ 147,540	\$ 730,495
Cash equivalents	1,158,024	2,022,212
Cash restricted for customer deposits	10,737	27,924
	<u>\$ 1,316,301</u>	<u>\$ 2,780,631</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Operating income	\$ 274,612	\$ 474,855
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	291,166	292,321
(Increase) decrease in:		
Accounts receivable	(88,381)	51,970
Prepaid expenses	(9,108)	(26,486)
Deferred outflows of resources	(4,963)	(7,636)
Increase (decrease) in:		
Accounts payable	(587,972)	479,959
Accrued payroll and related items	23,524	(3,637)
Deferred inflows of resources	5,511	3,585
Net pension liability	58,228	(12,833)
Net cash and cash equivalents provided (used) by operating activities	<u>\$ (37,383)</u>	<u>\$ 1,252,098</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Ventura River Water District (the “District”) reporting entity includes all significant operations and revenue sources of which the District Board of Directors exercises oversight responsibility and is determined under the criteria established by the GASB codification standards. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

B) Accounting Basis

The District is accounted for as an enterprise fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the District is accounted for as an enterprise fund, the accrual method of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

An enterprise fund is accounted for on a cost of services or “flow of economic resources” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the statement of net position.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District’s principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses of the District include cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C) Cash

For purposes of the statement of cash flows, cash includes cash on hand and funds on deposit with financial institutions available for current use with an initial maturity of three months or less. The District maintains bank accounts at financial institutions located within the County of Ventura. All deposits are carried at cost plus accrued interest.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

D) Cash Equivalents

As of June 30, 2020, the District has the following investments authorized by legal or contractual provisions: Local Agency Investments Fund (LAIF) and Funds in County Treasury. It is the District's policy to maintain all investments in insured accounts in the District's name. California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, section 53600, Chapter 4 - Financial Affairs.

E) Accounts Receivable

Accounts receivable, as reflected in the financial statements, are from customers whose property is located within the County of Ventura. Historically, uncollectible amounts have been negligible, therefore the District has not established an allowance for doubtful accounts. The District uses the write-off method to discharge amounts deemed uncollectible at year-end. While the write-off method is not in accordance with GAAP, the results are consistent with the allowance method and the effect on the financial statements is immaterial.

F) Capital Assets

Minor expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized. In cases where assets are donated to the District, construction costs or estimated market values are recorded. Costs of assets sold, accounts, and gains or losses on disposition are included in operations.

The cost of property and equipment is depreciated over the estimated lives of the assets from the date of acquisition based on the straight line method of depreciation, with estimated lives for computation of depreciation as follows:

Buildings	5 - 30 years
Vehicles	5 years
Furniture and equipment	3 - 20 years
Utility plant	3 - 50 years

G) Compensated Absences

The District has recorded an accrual for compensated absences in accordance with the District's policy. Total paid time off shall not exceed 800 hours, Sick leave is included in the accrual as the District pays for unused sick time at the rate of 50% of total available hours. Effective January 1, 2020, sick leave is no longer earned but paid time off was increased by one working day per month. Existing sick leave will remain until utilized or terminated.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

H) Budget

The District is required to adopt annual budgets. The budget is presented on the basis of the funding sources available. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The District prepares a tentative budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the final budget is adopted by the District. Once a budget is approved, it can be amended by the Board of Directors.

I) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J) Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows and 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, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. The District does not have any capital related debt.

Restricted – This component of net position consists of assets which are legally restricted by outside parties for use for a specific purpose.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Dedicated 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.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

K) Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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

For the year ended June 30, 2020, the District adopted Statement No. 95 *Postponement of Effective Dates of Certain Authoritative Guidance*. This statement was implemented to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This was accomplished by postponing pronouncement dates. The adoption of this standard did not have a material impact on the District.

M) Governmental Accounting Standards Board (GASB) Statements – Future Updates

Statement No. 87 *Leases* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This accounting guidance is effective for periods beginning after June 15, 2021 (FY 21/22) and management is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments

Cash and investments are comprised of the following at June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents:		
Petty cash	\$ 581	\$ 581
Deposits with financial institutions	157,696	757,838
Local Agency Investment Fund	571,494	1,484,927
Funds in County Treasury	586,530	537,285
Total cash and cash equivalents	1,316,301	2,780,631
Investments:		
General investment account	500,105	-
Total investments (non-cash equivalents)	500,105	-
Total cash and investments	\$ 1,816,406	\$ 2,780,631

Cash and investments are classified in the accompanying financial statements at June 30, 2020 and 2019 as unrestricted, except for cash restricted for customer deposits reflected within the deposits with financial institutions above. At June 30, 2020 and 2019, the District held restricted deposits of \$10,737 and \$27,924, respectively.

Fair Value Measurements

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's portion of the funds held in County Treasury is measured at fair value as of June 30, 2020 and 2019.

Credit Risk

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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or a government investment pool.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit. As of June 30, 2020 and 2019, respectively, the District's cash balance and Certificates of Deposit were covered by federal depository insurance.

Investments Authorized by the District's Investment Policy

The District's investment policy is to invest funds in a manner which will provide maximum security while meeting the daily cash flow demands of the District, earning a conservative investment return and conforming to all statutes governing the investment of District funds. All investment types are in accordance with California Government Code.

Fair Value of Investments

The District measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted Prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

At June 30, 2020, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 500,105	\$ -	\$ 500,105	
Total	<u>\$ 500,105</u>	<u>\$ -</u>	<u>\$ 500,105</u>	<u>\$ -</u>

Certificates of deposit are valued using various market and industry inputs. No investments were held by the District at June 30, 2019.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments with fair values that are considered to be highly sensitive to changes in interest rates.

The Certificates of Deposit that the District is invested in are long-term. \$250,624 in Certificates of Deposit mature in November 2023, while the remaining \$249,481 mature in June 2024.

Note 3 – Restricted Cash/Security Deposits

Cash has been set aside as well as a corresponding liability for the eventual refund of customer security deposits. Customer security deposits are requested from new customers unless they can prove good credit. Customers with deposits on file who have reached a satisfactory good payment history of approximately 18 months received a refund of their deposit.

Note 4 – Joint Powers Insurance Authority

The District is a member of the "Association of California Water Agencies Joint Powers Insurance Authority" (ACWA/JPIA). The ACWA/JPIA was formed in 1979 by the water agencies of the state of California to provide insurance benefits to its member agencies, including the District. The ACWA/JPIA provides risk-sharing pools to meet the needs of its members for insurance coverage. The risk-sharing pools are a cost-effective form of risk management available only to public entities, allowing them to bypass the high cost of commercial insurance.

It is the District's policy to record as expense all amounts paid to the authority for employee health benefits coverage. The District does not recognize as an asset any "equity" that it may accrue as a member of the joint powers authority as it is believed that any such "equity" would simply convert to adjustments of future premiums. The District does not recognize as a liability any deficiency for amounts self-insured by the authority, as it is not measurable, nor is there any certainty of payment. Any such amount would also convert to adjustments of future premiums.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Capital Assets

Schedules of changes in capital assets, as well as depreciation for the fiscal years ended June 30, 2020 and 2019 are shown below:

	6/30/19 Balance	Additions	Deletions	Transfers	6/30/20 Balance
Capital assets, non-depreciable:					
Land, water and rights of way	\$ 295,905	\$ -	\$ -	\$ -	\$ 295,905
Construction in process	836,293	970,325	-	(1,728,040)	78,578
Total capital assets, non-depreciable	<u>1,132,198</u>	<u>970,325</u>	<u>-</u>	<u>(1,728,040)</u>	<u>374,483</u>
Capital assets, depreciable:					
Buildings	465,408	-	-	-	465,408
Vehicles	274,233	-	-	-	274,233
Furniture and equipment	361,906	-	-	66,391	428,297
Utility plant	8,155,174	31,041	-	1,661,649	9,847,864
Total capital assets, depreciable	<u>9,256,721</u>	<u>31,041</u>	<u>-</u>	<u>1,728,040</u>	<u>11,015,802</u>
Total capital assets	<u>10,388,919</u>	<u>1,001,366</u>	<u>-</u>	<u>-</u>	<u>11,390,285</u>
Capital assets, accumulated depreciation:					
Total accumulated depreciation:	<u>(5,009,238)</u>	<u>(291,166)</u>	<u>-</u>	<u>-</u>	<u>(5,300,404)</u>
Net capital assets	<u>\$ 5,379,681</u>	<u>\$ 710,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,089,881</u>
	6/30/18 Balance	Additions	Deletions	Transfers	6/30/19 Balance
Capital assets, non-depreciable:					
Land, water and rights of way	\$ 295,905	\$ -	\$ -	\$ -	\$ 295,905
Construction in process	133,056	1,466,992	-	(763,755)	836,293
Total capital assets, non-depreciable	<u>428,961</u>	<u>1,466,992</u>	<u>-</u>	<u>(763,755)</u>	<u>1,132,198</u>
Capital assets, depreciable:					
Buildings	465,408	-	-	-	465,408
Vehicles	266,628	46,805	(39,200)	-	274,233
Furniture and equipment	349,350	12,556	-	-	361,906
Utility plant	7,391,191	2,500	(2,272)	763,755	8,155,174
Total capital assets, depreciable	<u>8,472,577</u>	<u>61,861</u>	<u>(41,472)</u>	<u>763,755</u>	<u>9,256,721</u>
Total capital assets	<u>8,901,538</u>	<u>1,528,853</u>	<u>(41,472)</u>	<u>-</u>	<u>10,388,919</u>
Capital assets, accumulated depreciation:					
Total accumulated depreciation:	<u>(4,756,117)</u>	<u>(292,321)</u>	<u>39,200</u>	<u>-</u>	<u>(5,009,238)</u>
Net capital assets	<u>\$ 4,145,421</u>	<u>\$ 1,236,532</u>	<u>\$ (2,272)</u>	<u>\$ -</u>	<u>\$ 5,379,681</u>

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Descriptions – All qualified employees are eligible to participate in Ventura River Water District’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees’ Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of .004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2020	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.8%
Required employer contribution rates	8.1%	7.0%
Required employer contribution rates for payment on all UAL amortization bases	6.0%	0.7%

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Defined Benefit Pension Plan (Continued)

The Plans’ provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2019	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.3%
Required employer contribution rates	7.6%	6.8%
Required employer contribution rates for payment on all UAL amortization bases	4.7%	0.3%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate.

Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above, and as a dollar amount for contributions toward the unfunded liability. The District’s required contribution for the unfunded liability was \$27,395 and \$19,808 for the fiscal years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan	
	June 30, 2020	June 30, 2019
Contributions – employer	\$ 62,062	\$ 52,642

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020 and 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability	
	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
Miscellaneous	455,250	397,022

The net pension liability was measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for all Plans with an actuarial valuation date of June 30, 2018 and 2017 was as follows:

	For the Year Ended June 30, 2020		For the Year Ended June 30, 2019
	Miscellaneous		Miscellaneous
Proportion – June 30, 2018	0.01054%	Proportion – June 30, 2017	0.01040%
Proportion – June 30, 2019	0.01137%	Proportion – June 30, 2018	0.01054%
Change – Increase (Decrease)	0.00083%	Change – Increase (Decrease)	0.00014%

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$131,396 and \$45,178, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 72,621	\$ -	\$ 62,062	\$ -
Differences between expected and actual experience	31,619	(2,450)	15,233	(5,184)
Changes in assumptions	21,708	(7,695)	45,262	(11,092)
Changes in employer’s proportion	42,736	-	39,201	-
Difference between employer’s contributions and proportionate share of contributions	-	(36,770)	-	(33,087)
Differences between projected and actual investment earnings	-	(7,959)	1,963	-
	\$ 168,684	\$ (54,874)	\$ 163,721	\$ (49,363)

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Defined Benefit Pension Plan (Continued)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

During the fiscal year ended June 30, 2020, \$62,062 in deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability. During the fiscal year ended June 30, 2021, \$72,621 in deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:	
2021	\$ 35,460
2022	385
2023	3,736
2024	1,608
2025	-
Thereafter	-
	\$ 41,189

Initial unfunded liabilities are amortized over a closed period that depends on the plan’s date of entry into CalPERS. Subsequent plan amendments are amortized as level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period. If the plan’s accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actual Cost Method	Entry Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68	Entry Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll Growth	2.75%	3.00%
Projected Salary Increase	Varies by entry age and service (1)	Varies by entry age and service (1)
Investment Rate of Return	7.15% (2)	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Defined Benefit Pension Plan (Continued)

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes in Benefit Terms - Public agencies can make changes to their plan provisions and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods - In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00 percent to 2.75 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the measurement periods ending June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Defined Benefit Pension Plan (Continued)

The tables below reflect the long-term expected real rate of return by asset class at June 30, 2020 and 2019, respectively.

Asset Class	June 30, 2020			June 30, 2019		
	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for all Plans, calculated using the discount rate of 7.15% for all Plans, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Miscellaneous Plan For the Year Ended June 30, 2020		Miscellaneous Plan For the Year Ended June 30, 2019	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	\$ 809,623	Net Pension Liability	\$ 743,622
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	\$ 455,250	Net Pension Liability	\$ 397,022
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	\$ 162,740	Net Pension Liability	\$ 141,744

Pension Plan Fiduciary Net Position – Detailed information about all pension plan fiduciary net positions is available in the separately issued CalPERS financial reports.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Property Tax Calendar

The District assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1	
Levy date	July 1 to June 30	
Due date	November 1	-First Installment
	March 1	-Second Installment
Delinquent date	December 10	-First Installment
	April 10	-Second Installment

Note 8 – Related Party

In September of 2014, the California Legislature enacted comprehensive legislation aimed at strengthening local control and management of groundwater basins throughout the state known as the Sustainable Groundwater Management Act (SGMA). During December 2016, five agencies (Ventura River Water District, Meiners Oaks Water District, City of Ventura – Ventura Water, Casitas Municipal Water District, and the County of Ventura) that have an interest in the basin, collaborated to contribute funds to form the Groundwater Sustainability Agency known as the Upper Ventura River Groundwater Agency (UVRGA).

The District’s board of directors voted to approve handling payment of invoices for UVRGA while the agency established an office and an administrative staff. On a monthly basis, the District would invoice the other agencies for their share of the expenses related to UVRGA. In November 2017, UVRGA established an office and an administrative staff and the District no longer handles payment of invoices for UVRGA.

The District transitioned from membership contributions to groundwater extraction fees as of July 15, 2019. The semi-annual fees are based on estimated groundwater extraction of 858.38 acre-feet at a regulatory fee of \$77.89 per acre-foot, resulting in \$66,859 in extraction fees due for the fiscal year.

Note 9 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan 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.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of the employee participants and their beneficiaries. 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.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 10 – Commitment and Contingencies

The District has been named in a pending claim that was filed. As of the date of these financial statements, it is not possible to evaluate the merit of the scope of this claim. No amounts have been recorded in the financial statements related to this claim.

On July 15, 2020, Ventura River Water District entered into a Water Service Agreement with Tico Mutual Water Company to assume responsibility for providing potable water to each of the 43 Tico parcels. The agreement is contingent upon approval of transfer from Tico’s current provider, Casitas Municipal Water District (CMWD). The transfer of allocation will be presented to the CMWD Board of Directors for approval in June 2021.

Note 11 – COVID-19

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 economics and financial markets of many countries, including the geographical area in which the District operates.

Note 12 – Subsequent Events

Subsequent events have been evaluated through December 16, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**VENTURA RIVER WATER DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF VENTURA RIVER WATER DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	2020	2019	2018	2017	2016	2015
Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.00425%	0.00425%	0.00413%	0.00391%	0.00764%	0.00404%
Proportionate share of the net pension liability	\$ 455,250	\$ 397,022	\$ 409,855	\$ 338,474	\$ 209,689	\$ 251,316
Covered payroll	\$ 557,934	\$ 583,225	\$ 323,503	\$ 491,319	\$ 422,023	\$ 513,149
Proportionate share of the net pension liability as a percentage of covered payroll	81.60%	68.07%	126.69%	68.89%	49.69%	48.98%
Plan fiduciary net position as a percentage of the total plan pension liability	82.72%	83.60%	80.99%	83.49%	88.89%	85.03%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

**VENTURA RIVER WATER DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF VENTURA RIVER WATER DISTRICT'S CONTRIBUTIONS**

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 72,621	\$ 62,062	\$ 52,642	\$ 45,240	\$ 26,395	\$ 37,904
Contributions in relation to the actuarially determined contributions	\$ 72,621	\$ 62,062	\$ 52,642	\$ 45,240	\$ 26,395	\$ 37,904
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 579,235	\$ 557,934	\$ 583,225	\$ 323,503	\$ 491,319	\$ 422,023
Contributions as a percentage of covered payroll	12.54%	11.12%	9.03%	13.98%	5.37%	8.98%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SUPPLEMENTARY INFORMATION

VENTURA RIVER WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
For the year ended June 30, 2020

	Budgeted	Actual	Favorable
	Amounts Final	Amounts	(Unfavorable)
Operating Revenues:			
Water sales	\$ 2,336,000	\$ 2,274,354	\$ (61,646)
All other water revenue	1,000	5,402	4,402
Other revenues	51,591	69,145	17,554
Total operating revenues	2,388,591	2,348,901	(39,690)
Operating Expenses:			
Operating expenses excluding depreciation	1,831,086	1,783,123	47,963
Depreciation	245,000	291,166	(46,166)
Total operating expenses	2,076,086	2,074,289	1,797
Operating Income:	312,505	274,612	(37,893)
Non-operating Income			
Interest Income	45,000	25,640	(19,360)
Tax revenue, current secured	45,000	49,245	4,245
Net non-operating income	90,000	74,885	(15,115)
Change in Net Position	\$ 402,505	\$ 349,497	\$ (53,008)
Non-GAAP Budget Expenditures:			
Office and shop equipment	\$ 55,000	\$ 49,951	\$ 5,049
Water system improvements	1,696,438	951,415	745,023
Total capital expenditures	\$ 1,751,438	\$ 1,001,366	\$ 750,072

VENTURA RIVER WATER DISTRICT
SCHEDULE OF SELECTED OPERATING EXPENSES
For the years ended June 30, 2020 and 2019

	2020	2019
Operating Expenses:		
Salaries and related items		
Salaries and wages	\$ 634,387	\$ 582,014
FICA	47,617	45,025
Public employees retirement system	131,396	45,178
Group insurance	122,982	117,017
Workers compensation insurance	19,080	22,845
Total salaries and related items	<u>\$ 955,462</u>	<u>\$ 812,079</u>
Water system maintenance		
Auto equipment maintenance	\$ 6,707	\$ 7,483
Other equipment maintenance	22,641	30,982
Water system maintenance	97,444	95,309
Meter replacement	54,350	55,815
Equipment rental	264	572
Total water system maintenance	<u>\$ 181,406</u>	<u>\$ 190,161</u>
Other administrative expenses		
Telephone/communications	\$ 9,354	\$ 8,478
Fuel/oil/tires	10,852	13,081
Membership, dues, subscriptions	20,567	17,400
Office supplies	15,216	10,776
Contract labor	112,507	83,926
Office maintenance	39,178	33,392
Postage	9,188	8,097
Board member compensation	13,020	8,960
Security	3,988	5,967
Public and legal notices	-	411
Director's travel and expenses	436	1,425
Public relations/seminars/elections	2,707	18,157
Upper Ventura River GSA	30,000	47,804
LAFCO fees	1,417	1,413
Conservation	14,000	-
UVRGA pump fee	66,859	-
Miscellaneous/tax/licenses/bank charges	6,451	1,426
Bad debt expense	-	674
Total other administrative expenses	<u>\$ 355,740</u>	<u>\$ 261,387</u>

VENTURA RIVER WATER DISTRICT
ORGANIZATION OF THE DISTRICT

Nature of Business – Ventura River Water District (The District), a public agency, was founded July 16, 1956 under County Water District Law, the laws of the state of California, as amended, with authority under the Water Code, Section 30,000 et seq. The District is authorized to issue bonds and may apply its operating revenue to reduce interest and principal on outstanding indebtedness. Taxes may be levied on all taxable property within The District's boundary. Veterans' exemptions are allowed.

The District began operations by leasing the water system from the Ventura River Mutual Water Company in the 1957-58 fiscal year. An election held April 1, 1958 authorized a bond issue of \$175,000 for the purchase of all assets of the Ventura River Mutual Water Company and for other necessary capital outlays to provide a complete and adequate water system to supply the entire district. The bonds, which carried an interest rate of 4.2%, were sold and the proceeds were received September 23, 1958. These bonds are no longer outstanding.

Location – The District covers approximately 2,103 acres located in the Ventura River drainage area, generally between the city of Ojai and the community of Casitas Springs. It operates and maintains a retail water distribution system. Water is obtained from its four active wells and from Casitas Municipal Water District and is distributed to approximately 2,150 residential and commercial constituents.

On January 1, 1979, The District annexed and officially assumed administration and operation of Waterworks District Numbers 4 and 7. Pursuant to the District Reorganization Act, commencing with Section 56,000 of the Government Code, the Board of Supervisors of the County of Ventura, as well as the Board of Directors of the Ventura County Waterworks District Numbers 4 and 7 (Waterworks) and Ventura River County Water District (VRCWD) jointly resolved to reorganize and then dissolve Waterworks' former territories and thus transferred jurisdiction from the Board of Supervisors to the Board of VRCWD.

Board of Directors – The District is governed by a Board of five directors.

The powers and functions of the Board are:

1. To enter into contracts and employ labor.
2. To acquire, hold and dispose of property, real and personal, all for the purpose of providing the public the employment of personnel, and the operation and maintenance of a water district. The District has the power of eminent domain.
3. To incur debt, liabilities, and obligations necessary to accomplish the purpose of The District.
4. To sue and be sued in the name of The District.
5. To perform such other functions as may be necessary or appropriate, so long as such other functions so performed are not prohibited by any provision of the law.

Accounts and Records – The District maintains income and expense records, and minutes of the Directors meetings.

Cash receipts and disbursements are maintained at Rabobank NA. Water services deposits are held in a separate trust account and are normally refunded after eighteen months of non-delinquent status. The savings account and LAIF, an account for surplus funds, are maintained at the County of Ventura. The state of California requires an annual report of financial transactions for special districts and compensation reporting.

VENTURA RIVER WATER DISTRICT
ORGANIZATION OF THE DISTRICT

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Rates – The District does not have a separate tax rate for the fiscal year ended June 30, 2020 but simply receives an apportionment of the county 's 1% tax levy, the maximum rate since the passage of Proposition 13.



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

December 16, 2020

Board of Directors
Ventura River Water District

To the Board of Directors:

We are pleased to present this letter related to our audit of the financial statements of Ventura River Water District (the District) for the year ended June 30, 2020. This letter is to inform the Board of Directors about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and we can comply with professional standards.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated August 11, 2020 which includes communication regarding the planned scope and timing of our audit and our identification of and planned audit response to significant risks of material misstatement. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Alternative Treatments within Generally Accepted Accounting Principles Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The following is a description of a significant accounting policy or its application that was either initially selected or changed during the year.

Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* addresses the need for temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This was accomplished by postponing pronouncement dates for statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The effective dates of the impacted pronouncements are postponed by at least one year, up to eighteen months. The adoption of this statement did not have a material impact on the District.

Significant or Unusual Transactions

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.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's June 30, 2020 financial statements:

Depreciation

Depreciation for capital assets is taken on a straight-line basis over the expected life of each capital asset. This method meets the generally accepted accounting principles requirement of being systematic and rational.

Net Pension Liability

In accordance with GASB Statement No. 68, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/inflows of resources. CalPERS actuaries calculated these amounts in accordance with the parameters of GASB 68.

Audit Adjustments

Audit adjustments recorded after the initial receipt of the trial balance or as a result of our audit procedures are attached.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

We encountered 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.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Internal Control Matters

We have issued a separate communication dated December 16, 2020 regarding certain deficiencies in internal control that we identified during the planning or performance of our audit of the financial statements.

Significant Written Communications between Management and Our Firm

In conjunction with the audit of the financial statements, we have been provided a letter of certain representations from management dated December 16, 2020.

Conclusion

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bartlett, Pringle & Wolf, LLP

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants

Client: **VENTURA RIVER WATER DISTRICT (17101)**
 Engagement: **17101 - 2020 Audit - Ventura River Water District**
 Period Ending: **6/30/2020**
 Trial Balance: **TB**
 Workpaper: **1 - AJE Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 5				
Entry to adjust net pension liability and pension expense as required by GASB 68 and reconcile to the reporting tool.				
16000	DEFERRED OUTFLOWS		4,963.00	
60005	PUBLIC EMPLOYEES RETIREMENT SYSTEM		57,826.00	
60014	PROFESSIONAL SERVICES(Audit, Engr.Draft)		950.00	
34000	NET PENSION LIABILITY			58,228.00
38000	DEFERRED INFLOWS			5,511.00
Total			63,739.00	63,739.00
Adjusting Journal Entries JE # 10				
Entry to capitalize costs associated with Well #7 that were initially expensed through repairs and maintenance.				
13039	WELLS		22,336.00	
60019	FIELD EQUIPMENT MAINTENANCE			22,336.00
Total			22,336.00	22,336.00
	Total Adjusting Journal Entries		86,075.00	86,075.00
	Total All Journal Entries		86,075.00	86,075.00



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

December 16, 2020

Board of Directors
Ventura River Water District
409 Old Baldwin Road
Ojai, CA 93023

To the Board of Directors:

In planning and performing our audit of the financial statements of the Ventura River Water District (the District) for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, during our prior year audit we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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.

Significant Deficiency

Fixed Asset Addition Tracking

During our audit, we noted that there is no rollforward schedule prepared for fixed assets that tracks activity including acquisitions and disposals and distinguishes current year acquisitions separately from transfer out of the Construction in process account upon being placed in service. The preparation of the statement of cash flow requires that capital assets acquired during the year be distinguishable from capital assets transferred. To prevent possible misclassification, we recommend that prior year audited schedules be retained and utilized to complete current year schedules. We also recommend that these schedules be reconciled to supporting documentation and reviewed by someone other than the preparer to ensure accurate reporting.

Conclusion

This communication is intended solely for the information and use of the Board of Directors, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties. This letter does not affect our report dated December 16, 2020 on the financial statements of the Ventura River Water District.

Very truly yours,

Bartlett, Pringle & Wolf, LLP

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants