

**VENTURA RIVER
WATER DISTRICT
June 30, 2022 and 2021
FINANCIAL STATEMENTS**



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

VENTURA RIVER WATER DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1 - 4
Management's Discussion and Analysis	5 - 10
Basic Financial Statements:	
Statements of Net Position	11 - 12
Statements of Revenues, Expenses and Changes in Net Position.....	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 32
Required Supplementary Information:	
California Public Employees' Retirement System – Schedule of Ventura River Water District's Proportionate Share of the Net Pension Liability.....	33
California Public Employees' Retirement System – Schedule of Ventura River Water District's Contributions.....	34
Supplementary Information:	
Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual	35
Schedule of Selected Operating Expenses	36
Other Information:	
Organization of the District.....	37 - 38
Governing Board of Directors	39



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ventura River Water District (the District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Ventura River Water District, as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management'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 33, and the California Public Employees' Retirement System - Schedule of Ventura River Water District's Contributions on page 34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The Ventura River Water District Statement of Revenues, Expenses and Changes in Net Position - Budget to Actual on page 35, the Schedule of Selected Operating Expenses on page 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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 aforementioned supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Organization of the District on pages 37 through 38 and the Governing Board of Directors listing on page 39 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
December 14, 2022

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, 2022 and June 30, 2021.

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 11-15 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* are intended to disclose the financial position of the District at a specific point in time, June 30, 2022 and June 30, 2021. 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* are intended to disclose the results of operations over a period of time, the fiscal year ended June 30, 2022 and June 30, 2021. 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* combine 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 on pages 33-34. *Supplementary information* concerning selected operating expenses and budget to actual report can be found on pages 35-36. *Other information* can be found on pages 37-39.

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 \$10,339,520 (*net position*). Of this amount \$2,553,095 (*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 \$1,828,194. Overall, Operating revenues decreased by (\$161,859). Water sales increased by \$186,277 due primarily to reduced consumption as a result of additional rainfall. Total Operating expenses increased by \$24,918. The largest portions of the increase includes depreciation expense, partially offset by a reduction in salaries and related items. Depreciation expense increased by \$127,107 as a result of additional asset being placed in service in the current year. Salaries and related items decreased by \$146,495 due to a decrease in the net pension liability, offset by an increase in accrued vacation. 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 \$156,147.

Investment in capital of \$7,786,425 is the largest portion of the District's net position as of June 30, 2022 (75%) and reflects its investment in 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* \$2,553,095 (25%) may be used to meet the District's ongoing obligations to citizens and creditors.

Table 1
Net Positions Components

<u>Description</u>	2022	2021	2020
Current Assets	\$ 2,400,974	\$ 1,973,012	\$ 1,683,684
Capital Assets	7,786,425	6,163,059	6,089,881
Non-Current Assets	898,342	952,942	500,105
Deferred Outflow of Resources	162,672	175,059	168,684
Total Assets	11,248,413	9,264,072	8,442,354
Current Liabilities	492,319	188,999	138,914
Net Pension Liability	203,443	520,913	455,250
Deferred Inflow of Resources	213,131	42,834	54,874
Total Liabilities	908,893	752,746	649,038
Net Investment in Capital Assets	7,786,425	6,163,059	6,089,881
Unrestricted net position amounts	2,553,095	2,348,267	1,703,435
Total Net Position	\$ 10,339,520	\$ 8,511,326	\$ 7,793,316

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.

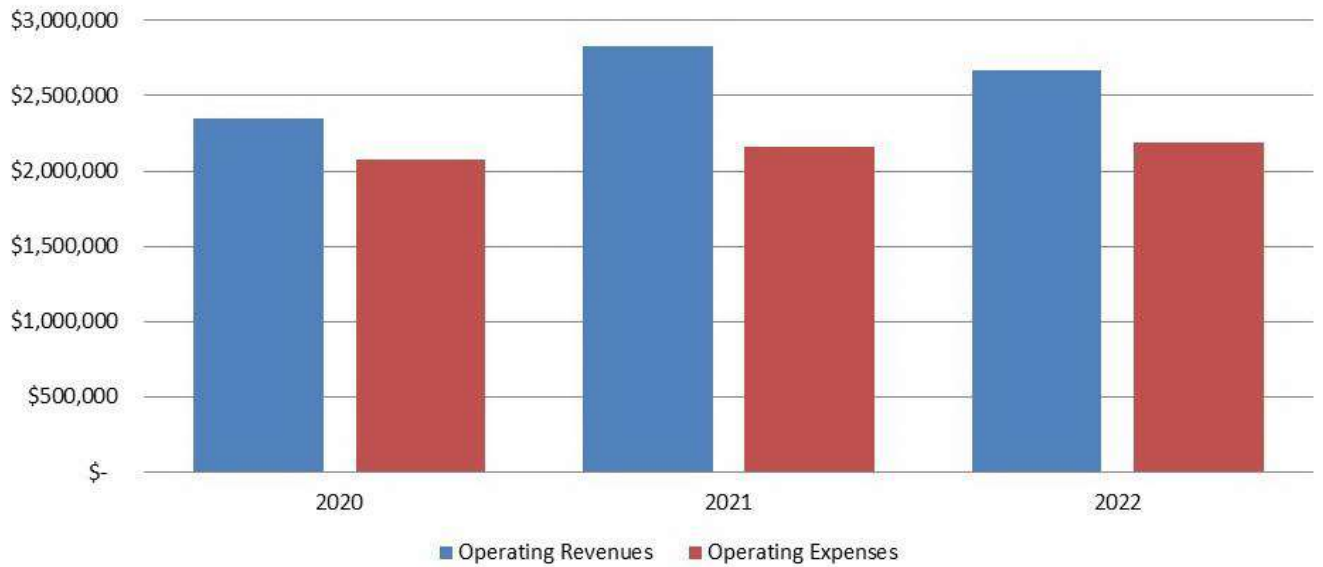
**VENTURA RIVER WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Changes in Net Position**

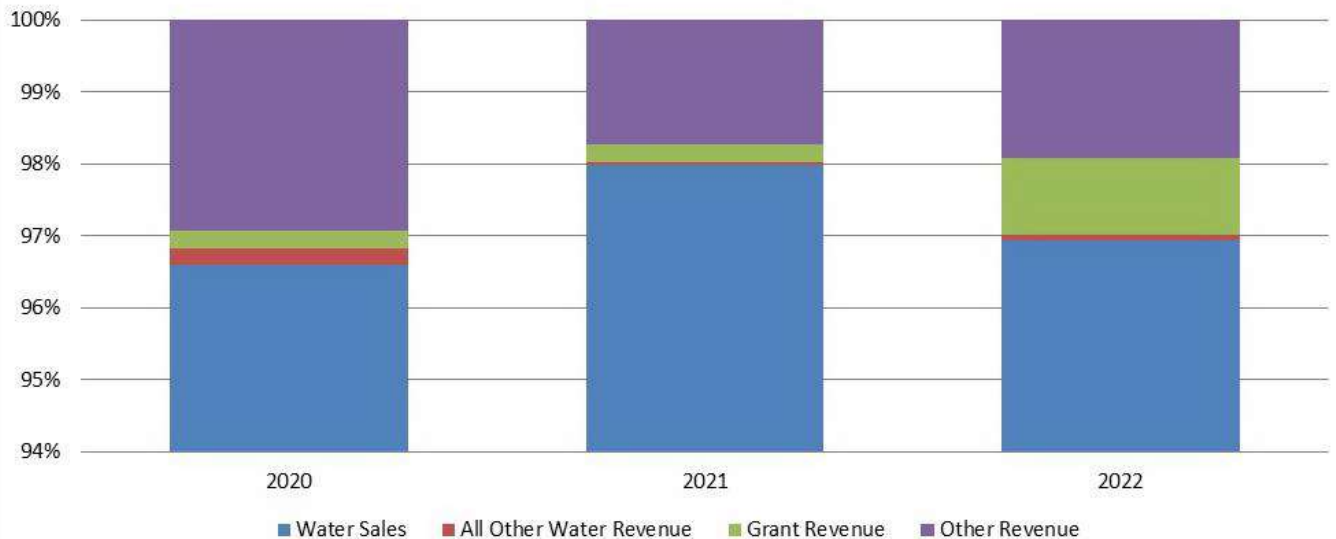
Description	2022	2021	2020
Operating Revenues			
Water sales	\$ 2,584,736	\$ 2,771,013	\$ 2,274,354
All other water revenue	2,120	1,281	5,402
Grant revenue	28,105	6,900	-
Other revenues	51,402	49,028	69,145
Total Operating Revenues	2,666,363	2,828,222	2,348,901
Non-Operating Revenue			
Interest income	5,060	3,105	25,640
Investment income (loss)	(66,414)	1,460	-
Loss on disposal of assets	(13,797)	-	-
Tax revenue, current secured	47,862	50,185	49,245
Total Non-Operating Revenues	(27,289)	54,750	74,885
Total Revenues	2,639,074	2,882,972	2,423,786
Operating Expenses			
Salaries and related items	805,262	951,757	955,462
Water purchases	131,396	129,466	97,290
UVRGA pump fee	67,949	67,949	66,859
Utilities	141,318	145,726	79,440
Water system maintenance	160,140	165,913	181,406
Depreciation	458,607	331,500	291,166
Administrative Expenses			
Insurance	49,207	38,107	34,471
Contract labor	113,792	92,812	112,507
Legal fees	9,488	8,888	14,750
Ventura river watershed issues	31,363	34,643	44,514
Engineering and professional fees	34,500	44,823	20,050
Other administrative expenses	186,858	153,378	176,374
Total Operating Expenses	2,189,880	2,164,962	2,074,289
Income before contributions	449,194	718,010	349,497
Capital contribution	1,379,000	-	-
Increase in Net Position	1,828,194	718,010	349,497
Net Position Beginning	8,511,326	7,793,316	7,443,819
Net Position Ending	\$ 10,339,520	\$ 8,511,326	\$ 7,793,316

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

**Table 3
Operating Revenues vs. Operating Expenses**



**Table 4
Operating Revenue by Source**



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 Analysis and 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.

Table 5
Significant Budget Variances-Expenses

Description	Budget	Actual	Variance	Explanation
Pension Expense (Benefit)	\$ 94,263	(45,566)	\$ 139,829	Due to decrease in pension liability primarily as a result of market conditions within CalPERS pool
Depreciation	\$ 350,000	\$ 458,607	\$ (108,607)	Did not incorporate the additional depreciation expense pertaining to contributed batteries
			<u>\$ 31,222</u>	

This year the District was under budget in Capital Expenditures. This was primarily due to some projects being postponed. See below for brief explanation of the largest variances.

Table 5b
Significant Budget Variances - Capital Improvement Projects

Description	Budget	Actual	Variance	Explanation
Auto Equipment	\$ 85,000	\$ 23,336	\$ 61,664	Delay in securing bid for F250 replacement until fiscal year 2023
SRF Water Main Projects, Tank & Pumping Projects & Solar Projects	\$ 1,220,000	\$ 265,887	\$ 954,113	SRF Funding was not obtained in the current year
Tico Mutual Annexation Project	\$ 100,000	\$ 5,396	\$ 94,604	SRF Funding was not obtained in the current year
Pump & Panel Replacement - Well #2 & 3	\$ 406,000	\$ 120,465	\$ 285,535	Project not complete
			<u>\$ 1,395,916</u>	

Capital Assets

The District's investment in capital assets for its business type activities as of June 30, 2022 amounts to \$7,786,425 (*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 \$1,623,366 due to additions and transfers from construction in progress.

As required by GASB Statement No. 34, capital contributions are presented as a component of change in net position on the statement of revenues, expenses and changes in net position. Capital contributions consist of \$1,379,000 for the year ended June 30, 2022.

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

**Table 6
Capital Assets
(Net of depreciation)**

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Land, Water and Rights of Way	\$ 295,905	\$	295,905	\$	295,905
Construction in Progress	666,826		366,438		78,578
Buildings and Improvements	1,810,567		465,408		465,408
Vehicles	278,658		274,233		274,233
Furniture and Equipment	299,988		480,646		428,297
Utility Plant	9,562,105		9,912,333		9,847,864
Total capital assets	12,914,049		11,794,963		11,390,285
Less: Accumulated depreciation	(5,127,624)		(5,631,904)		(5,300,404)
Net capital assets	\$ 7,786,425	\$	6,163,059	\$	6,089,881

Additional information on the District's capital assets can be found in Note 1 on page 17 and Note 4 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 budget rate structure was not changed.
- There was a rate increase in September 2020. In March 2021, there was a decrease in base fees and a 4% net increase in water rates. In April 2022, there was a 4% increase in water rates while base rates were removed.

All of these factors were considered in preparing the District's budget for the 2021-2022 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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current Assets:		
Cash in bank	\$ 68,870	\$ 119,869
Cash equivalents	1,933,592	1,439,139
Cash restricted for customer deposits	18,619	16,019
Accounts receivable, trade	251,339	304,616
Grants receivable	30,226	6,900
Other receivables	292	292
Prepaid expenses	98,036	86,177
Total current assets	<u>2,400,974</u>	<u>1,973,012</u>
Non-Current Assets:		
Investments	898,342	952,942
Capital Assets:		
Land, water and rights of way	295,905	295,905
Construction in process	666,826	366,438
Buildings and improvements	1,810,567	465,408
Vehicles	278,658	274,233
Furniture and equipment	299,988	480,646
Utility plant	9,562,105	9,912,333
Total property, plant and equipment	12,914,049	11,794,963
Less: accumulated depreciation	<u>(5,127,624)</u>	<u>(5,631,904)</u>
Net capital assets	<u>7,786,425</u>	<u>6,163,059</u>
Total non-current assets	<u>8,684,767</u>	<u>7,116,001</u>
Total assets	<u>11,085,741</u>	<u>9,089,013</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pensions	<u>162,672</u>	<u>175,059</u>
Total assets and deferred outflows of resources	<u>\$ 11,248,413</u>	<u>\$ 9,264,072</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 316,507	\$ 94,658
Accrued payroll and related items	133,528	73,577
Restricted and other deposits	<u>42,284</u>	<u>20,764</u>
Total current liabilities	<u>492,319</u>	<u>188,999</u>
Long-Term Liabilities:		
Net pension liability	<u>203,443</u>	<u>520,913</u>
Total long-term liabilities	<u>203,443</u>	<u>520,913</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pensions	<u>213,131</u>	<u>42,834</u>
Total liabilities and deferred inflows of resources	<u>908,893</u>	<u>752,746</u>
NET POSITION:		
Net investment in capital assets	7,786,425	6,163,059
Unrestricted	<u>2,553,095</u>	<u>2,348,267</u>
Total net position	<u>\$ 10,339,520</u>	<u>\$ 8,511,326</u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Water sales	\$ 2,584,736	\$ 2,771,013
All other water revenue	2,120	1,281
Grant revenue	28,105	6,900
Other revenues	51,402	50,488
Total operating revenues	<u>2,666,363</u>	<u>2,829,682</u>
Operating Expenses:		
Salaries and related items	805,262	951,757
Water purchases	131,396	129,466
UVRGA pump fee	67,949	67,949
Utilities	141,318	145,726
Water system maintenance	160,140	165,913
Depreciation	458,607	331,500
Insurance	49,207	38,107
Contract labor	113,792	92,812
Legal fees	9,488	8,888
Ventura river watershed issues	31,363	34,643
Engineering and professional fees	34,500	44,823
Other administrative expenses	186,858	153,378
Total operating expenses	<u>2,189,880</u>	<u>2,164,962</u>
Operating income	<u>476,483</u>	<u>664,720</u>
Non-operating Income (Expense):		
Interest income	5,060	3,105
Investment income (loss)	(66,414)	-
Loss on disposal of assets	(13,797)	-
Tax revenue, current secured	47,862	50,185
Total non-operating income (loss)	<u>(27,289)</u>	<u>53,290</u>
Income before contributions	449,194	718,010
Capital contribution	<u>1,379,000</u>	<u>-</u>
Change in net position	1,828,194	718,010
Net position, beginning of year	<u>8,511,326</u>	<u>7,793,316</u>
Net position, end of year	<u><u>\$ 10,339,520</u></u>	<u><u>\$ 8,511,326</u></u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Receipts from customers	\$ 2,696,314	\$ 2,797,609
Payments to employees	(880,097)	(894,033)
Payments to suppliers	(716,021)	(846,201)
Net cash and cash equivalents provided by operating activities	<u>1,100,196</u>	<u>1,057,375</u>
Cash Flows from Non-Capital Financing Activities:		
Net change in customer deposits	21,520	9,313
Tax revenues received	47,862	50,185
Net cash and cash equivalents provided by non-capital financing activities	<u>69,382</u>	<u>59,498</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(716,770)	(411,578)
Net cash and cash equivalents used by capital and related financing activities	<u>(716,770)</u>	<u>(411,578)</u>
Cash Flows from Investing Activities:		
Investment income (loss)	(6,754)	6,268
Purchase of investments	-	(452,837)
Net cash and cash equivalents provided (used) by investing activities	<u>(6,754)</u>	<u>(446,569)</u>
Increase in cash and cash equivalents	446,054	258,726
Cash and cash equivalents, beginning of year	<u>1,575,027</u>	<u>1,316,301</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,021,081</u></u>	<u><u>\$ 1,575,027</u></u>
Reconciliation to Statements of Net Position:		
Cash in bank	\$ 68,870	\$ 119,869
Cash equivalents	1,933,592	1,439,139
Cash restricted for customer deposits	18,619	16,019
	<u><u>\$ 2,021,081</u></u>	<u><u>\$ 1,575,027</u></u>

See accompanying notes

VENTURA RIVER WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Operating income	\$ 476,483	\$ 664,720
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	458,607	331,500
(Increase) decrease in:		
Accounts receivable	53,277	(32,073)
Prepaid expenses	(11,859)	5,208
Grant receivable	(23,326)	-
Deferred outflows of resources	12,387	(6,375)
Increase (decrease) in:		
Accounts payable	221,849	30,296
Accrued payroll and related items	59,951	10,476
Deferred inflows of resources	170,297	(12,040)
Net pension liability	(317,470)	65,663
Net cash and cash equivalents provided by operating activities	<u>\$ 1,100,196</u>	<u>\$ 1,057,375</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

Capital Contributions	<u>\$ 1,379,000</u>	<u>\$ -</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, 2022, 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 over \$2,000 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 non-operating income. Donated property is valued at estimated acquisition value on the date donated.

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 and improvements	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) Restricted Cash

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.

L) 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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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

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

Statement No. 94	<i>"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96	<i>"Subscription-Based Information Technology Arrangements"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 99	<i>"Omnibus 2022"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 100	<i>"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"</i>	The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24)
Statement No. 101	<i>"Compensated Absences"</i>	The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25)

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments

Cash and investments are comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents:		
Petty cash	\$ 580	\$ 580
Deposits with financial institutions	86,909	135,308
Local Agency Investment Fund	1,257,462	802,424
Funds in County Treasury	676,130	636,715
Total cash and cash equivalents	<u>2,021,081</u>	<u>1,575,027</u>
Investments:		
General investment account	898,342	952,942
Total investments (non-cash equivalents)	<u>898,342</u>	<u>952,942</u>
Total cash and investments	<u>\$ 2,919,423</u>	<u>\$ 2,527,969</u>

Cash and investments are classified in the accompanying financial statements at June 30, 2022 and 2021 as unrestricted, except for cash restricted for customer deposits reflected within the deposits with financial institutions above. At June 30, 2022 and 2021, the District held restricted deposits of \$18,619 and \$16,019, 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, 2022 and 2021.

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, 2022 and 2021, 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

The table below sets forth by level, within the fair value hierarchy, the District's assets as fair value as of June 30, 2022:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 898,342	\$ -	\$ 898,342	
Total	\$ 898,342	\$ -	\$ 898,342	\$ -

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

The table below sets forth by level, within the fair value hierarchy, the District's assets as fair value as of June 30, 2021:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 952,942	\$ -	\$ 952,942	
Total	<u>\$ 952,942</u>	<u>\$ -</u>	<u>\$ 952,942</u>	<u>\$ -</u>

Certificates of deposit are valued using various market and industry inputs.

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, maturing from 2023 through 2025.

Note 3 – 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.

ACWA/JPIA is governed by a separate board comprised of members from participating districts. The board controls the operations of ACWA/JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in ACWA/JPIA.

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. Premiums paid were \$121,091 and \$114,102 for the fiscal years ended June 30, 2022 and 2021, respectively.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4 – Capital Assets

Schedules of changes in capital assets, as well as depreciation for the fiscal years ended June 30, 2022 and 2021 are shown below:

	6/30/21 Balance	Additions	Deletions	Transfers	6/30/22 Balance
Capital assets, non-depreciable:					
Land, water and rights of way	\$ 295,905	\$ -	\$ -	\$ -	\$ 295,905
Construction in process	366,438	677,201	-	(376,813)	666,826
Total capital assets, non-depreciable	662,343	677,201	-	(376,813)	962,731
Capital assets, depreciable:					
Buildings and improvements	465,408	1,379,000	(33,841)	-	1,810,567
Vehicles	274,233	23,336	(18,911)	-	278,658
Furniture and equipment	480,646	8,676	(189,334)	-	299,988
Utility plant	9,912,333	7,557	(734,598)	376,813	9,562,105
Total capital assets, depreciable	11,132,620	1,418,569	(976,684)	376,813	11,951,318
Total capital assets	11,794,963	2,095,770	(976,684)	-	12,914,049
Capital assets, accumulated depreciation:					
Total accumulated depreciation:	(5,631,904)	(458,607)	962,887	-	(5,127,624)
Net capital assets	\$ 6,163,059	\$ 1,637,163	\$ (13,797)	\$ -	\$ 7,786,425
	6/30/20 Balance	Additions	Deletions	Transfers	6/30/21 Balance
Capital assets, non-depreciable:					
Land, water and rights of way	\$ 295,905	\$ -	\$ -	\$ -	\$ 295,905
Construction in process	78,578	358,631	-	(70,771)	366,438
Total capital assets, non-depreciable	374,483	358,631	-	(70,771)	662,343
Capital assets, depreciable:					
Buildings	465,408	-	-	-	465,408
Vehicles	274,233	-	-	-	274,233
Furniture and equipment	428,297	46,047	-	6,302	480,646
Utility plant	9,847,864	-	-	64,469	9,912,333
Total capital assets, depreciable	11,015,802	46,047	-	70,771	11,132,620
Total capital assets	11,390,285	404,678	-	-	11,794,963
Capital assets, accumulated depreciation:					
Total accumulated depreciation:	(5,300,404)	(331,500)	-	-	(5,631,904)
Net capital assets	\$ 6,089,881	\$ 73,178	\$ -	\$ -	\$ 6,163,059

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – 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, 2022 are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2022	
	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%	6.8%
Required employer contribution rates	8.7%	7.6%

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Defined Benefit Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2021 are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2021	
	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	8.8%	7.7%

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 \$47,532 and \$33,647 for the fiscal years ended June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan	
	June 30, 2022	June 30, 2021
Contributions – employer	\$ 83,609	\$ 72,621

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Defined Benefit Pension Plan (Continued)

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

As of June 30, 2022 and 2021, 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, 2022	For the Year Ended June 30, 2021
Miscellaneous	\$ 203,443	\$ 520,913

The net pension liability was measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2019 was as follows:

For the Year Ended June 30, 2022 (Measurement date of June 30, 2021)		For the Year Ended June 30, 2021 (Measurement date of June 30, 2020)	
	Miscellaneous		Miscellaneous
Proportion – June 30, 2021	0.01235%	Proportion – June 30, 2020	0.01137%
Proportion – June 30, 2022	0.01071%	Proportion – June 30, 2021	0.01235%
Change – Increase (Decrease)	-0.00164%	Change – Increase (Decrease)	0.00098%

For the years ended June 30, 2022 and 2021, the District recognized pension expense (benefit) of (\$45,566) and \$130,857, respectively.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Defined Benefit Pension Plan (Continued)

At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 89,220	\$ -	\$ 83,609	\$ -
Differences between expected and actual experience	22,814	-	26,844	-
Changes in assumptions	-	-	-	(3,715)
Changes in employer's proportion	50,638	-	49,131	-
Difference between employer's contributions and proportionate share of contributions	-	(35,536)	-	(39,119)
Differences between projected and actual investment earnings	-	(177,595)	15,475	-
	<u>\$ 162,672</u>	<u>\$ (213,131)</u>	<u>\$ 175,059</u>	<u>\$ (42,834)</u>

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, 2022, \$83,609 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, 2023, \$89,220 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:	
2023	\$ (25,721)
2024	(28,590)
2025	(36,289)
2026	(49,079)
2027	-
Thereafter	-
	<u>\$ (139,679)</u>

VENTURA RIVER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5 – Defined Benefit Pension Plan (Continued)

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, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
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%	2.50%
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 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

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

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

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.

Change of Assumptions and Methods - During the measurement periods ended June 30, 2021 and 2020 there were no changes of assumptions.

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.

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Defined Benefit Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the measurement periods ending June 30, 2021 and 2020. 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.

The tables below reflect the long-term expected real rate of return by asset class at June 30, 2022 and 2021, respectively.

Asset Class	June 30, 2022			June 30, 2021		
	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

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Defined Benefit Pension Plan (Continued)

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, 2022			Miscellaneous Plan For the Year Ended June 30, 2021		
1% Decrease		6.15%	1% Decrease		6.15%
Net Pension Liability	\$	586,182	Net Pension Liability	\$	889,777
Current Discount Rate		7.15%	Current Discount Rate		7.15%
Net Pension Liability	\$	203,443	Net Pension Liability	\$	520,913
1% Increase		8.15%	1% Increase		8.15%
Net Pension Liability	\$	(112,962)	Net Pension Liability	\$	216,131

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

Note 6 – 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

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Related Parties

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 \$79.16 per acre-foot, resulting in \$67,949 during the years ended June 30, 2022 and 2021 in extraction fees due for each fiscal year.

The District's board of directors voted to approve 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 board of directors are still in the process of approving the resolution authorizing the application to Local Agency Formation Commission for merging Tico Mutual Water Company.

Voting

A quorum of any meeting of the Board of Directors shall consist of a majority of the total number of Directors plus one Director. In the absence of a quorum, any meeting of the Directors may be adjourned by a vote of the Directors present, but no other business may be transacted at the meeting. Voting by the Board of Directors shall be made on the basis of one vote for each Director. A Director, or an Alternate Director when acting in the absence of his or her Director, may vote on all matters of Agency business unless disqualified because of a conflict of interest pursuant to California law or the local conflict of interest code adopted by the Board of Directors.

A matter may be approved on the first reading of the matter pursuant to a unanimous vote of all Directors. If unanimity is not obtained on the first reading of a matter, the Board shall continue a final vote on the matter for a second reading. The second reading shall occur at the next regular meeting of the Board, unless the Board votes to continue the second reading of the matter to another regular or special meeting of the Board. Unless otherwise specified, an affirmative decision of the Board on the second reading shall require a simple majority of all Directors present at the meeting and eligible to vote on the matter.

Decisions concerning the following matters shall require a supermajority vote in order to pass on the second reading: (i) any capital expenditure of \$50,000 or more; (ii) the Agency's annual budget and amendments thereto; (iii) the GSP for the Basin or any amendments thereto; (iv) the Agency's adoption of groundwater extraction fees; (v) the Agency's adoption of any taxes, fees, or assessments subject to Proposition 218; (vi) the issuance of assessments for contributions by

VENTURA RIVER WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Related Parties (Continued)

Members; or (vii) any stipulation to resolve litigation concerning groundwater rights within, or groundwater management for, the Basin. A supermajority requires no less than six Directors to be in attendance and specific scenarios are outlined further within governing documents.

Note 8 – 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.

Note 9 – 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.

Note 10 – 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 11 – Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to current year presentation.

Note 12 – Subsequent Events

Subsequent events have been evaluated through December 14, 2022, 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**

	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.00187%	0.00479%	0.00444%	0.00412%	0.00413%	0.00391%	0.00764%	0.00404%
Proportionate share of the net pension liability	\$ 203,443	\$ 520,913	\$ 455,250	\$ 397,022	\$ 409,855	\$ 338,474	\$ 209,689	\$ 251,316
Covered payroll	\$ 589,289	\$ 579,235	\$ 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	34.52%	89.93%	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	92.98%	81.21%	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 eight 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**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 89,220	\$ 83,609	\$ 72,621	\$ 62,062	\$ 52,642	\$ 45,240	\$ 26,395	\$ 37,904
Contributions in relation to the actuarially determined contributions	\$ 89,220	\$ 83,609	\$ 72,621	\$ 62,062	\$ 52,642	\$ 45,240	\$ 26,395	\$ 37,904
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 563,164	\$ 589,289	\$ 579,235	\$ 557,934	\$ 583,225	\$ 323,503	\$ 491,319	\$ 422,023
Contributions as a percentage of covered payroll	15.84%	14.19%	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 eight 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, 2022

	Budgeted Amounts Final	Actual Amounts	Favorable (Unfavorable)
Operating Revenues:			
Water sales	\$ 2,700,000	\$ 2,584,736	\$ (115,264)
All other water revenue	1,000	2,120	1,120
Grant revenue	-	28,105	28,105
Other revenues	1,276,165	51,402	(1,224,763)
Total operating revenues	3,977,165	2,666,363	(1,310,802)
Operating Expenses:			
Operating expenses excluding depreciation	2,117,467	1,731,273	386,194
Depreciation	350,000	458,607	(108,607)
Total operating expenses	2,467,467	2,189,880	277,587
Operating Income	1,509,698	476,483	(1,033,215)
Non-operating Income			
Interest Income	15,000	5,060	(9,940)
Investment income (loss)	-	(66,414)	(66,414)
Loss on disposal of assets	-	(13,797)	(13,797)
Tax revenue, current secured	50,000	47,862	(2,138)
Net non-operating income	65,000	(27,289)	(92,289)
Capital contribution	-	1,379,000	(1,379,000)
Change in Net Position	\$ 1,574,698	\$ 1,828,194	\$ 253,496
Non-GAAP Budget Expenditures:			
Office and shop equipment	\$ 39,500	\$ 8,676	\$ 30,824
Auto equipment	85,000	23,336	61,664
Water system improvements	2,362,000	684,758	1,677,242
Total capital expenditures	\$ 2,486,500	\$ 716,770	\$ 1,769,730

VENTURA RIVER WATER DISTRICT
SCHEDULE OF SELECTED OPERATING EXPENSES
For the years ended June 30, 2022 and 2021

	2022	2021
Operating Expenses:		
Salaries and related items		
Salaries and wages	\$ 667,774	\$ 628,193
FICA	47,262	47,129
Pension expense (benefits)	(45,566)	130,857
Group insurance	114,102	121,091
Workers compensation insurance	21,690	24,487
Total salaries and related items	<u>\$ 805,262</u>	<u>\$ 951,757</u>
Water system maintenance		
Auto equipment maintenance	\$ 4,408	\$ 7,564
Field equipment maintenance	41,844	16,359
Water system maintenance	78,071	83,681
Meter replacement	35,498	58,364
Equipment rental	319	(55)
Total water system maintenance	<u>\$ 160,140</u>	<u>\$ 165,913</u>
Other administrative expenses		
Telephone/communications	\$ 13,495	\$ 14,249
Fuel/oil/tires	19,332	15,845
Membership, dues, subscriptions	23,738	23,831
Office supplies	13,653	11,702
Office maintenance	52,427	45,388
Postage	10,006	9,360
Board member compensation	10,340	9,920
Security	4,052	3,868
Public and legal notices	283	338
Director's travel and expenses	470	402
Public relations/seminars/elections	11,317	6,869
Upper Ventura River GSA	-	625
LAFCO fees	1,569	1,616
Conservation	21,300	-
Miscellaneous/tax/licenses/bank charges	4,876	9,365
Total other administrative expenses	<u>\$ 186,858</u>	<u>\$ 153,378</u>

OTHER INFORMATION

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, 2022 but simply receives an apportionment of the county 's 1% tax levy, the maximum rate since the passage of Proposition 13.

**VENTURA RIVER WATER DISTRICT
GOVERNING BOARD OF DIRECTORS
For the year ended June 30, 2022**

Governing Board of Directors

<u>Name</u>	<u>Office</u>
Peggy Wiles	President
Nathan Rosser	Vice President
Ed Lee	Treasurer
Bruce Kuebler	Director
Jack Curtis	Director
Administration	
Bert Rapp	General Manager
Emily Arnbrister	Office Manager - Incoming
Amy Joy Bakken	Office Manager - Outgoing