CALL TO ORDER/PLEDGE OF ALLEGIANCE

PUBLIC COMMENT/OPEN FORUM

Members of the public may address the Directors on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the California Government Code.

AGENDA CHANGES/ADDITIONS

In accordance with Section 54954.2 of the Government Code (The Brown Act), additions to the agenda require a two-thirds vote of the legislative body, or if less than two-thirds of the members are present, a unanimous vote of those members present. It shall be determined that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the posting of the Agenda.

1. Appointment of Officers and Ratification of Legal Counsel
   Presenter: Justin Scott-Coe
   Recommendation: 1) Appoint Justin Scott-Coe as Secretary and Manager, and Ray Harton as Treasurer; and 2) ratify that Kidman Gagen Law, LLC serve as Legal Counsel.

2. Board Meeting Minutes
   Meeting Date: July 10, 2019
   Recommendation: Approve as presented.

3. Statement of Cash Transactions through December 31, 2019
   Presenter: Ray Harton
   Recommendation: Approve as presented.

   Presenter: Ray Harton
   Recommendation: Approve as presented.

5. Fiscal Year Ending 2020 Company Production Rights
   Presenter: Ray Harton
   Recommendation: This is an informational update of the Fiscal Year Ending 2020 Company annual production rights.

6. Manager Comments

7. Board Comments
8. Adjournment

DECLARATION OF POSTING

In accordance with the requirements of California Government Code §54954.2, this agenda has been posted in the display case at the gated entrance to our main office at 10575 Central Avenue, Montclair, California not less than 72 hours prior to the meeting date and time above.

Written materials relating to open session agenda items, including those distributed to the majority of the Board of Directors after distribution of this agenda package, are available for public inspection during normal business hours at the District’s main office, located at 10575 Central Avenue, Montclair, California.

Pursuant to the Americans with Disabilities Act, persons with a disability who require a disability-related modification or accommodation in order to participate in a meeting may request such modification or accommodation from the District Secretary at (909) 267-2160, or by email at ggarcia@mvwd.org. Notification 48 hours prior to the meeting will enable District staff to make reasonable arrangements to assure accessibility to the meeting.
January 22, 2020

Honorable Board of Directors
Monte Vista Irrigation Company

SUBJECT: Appointment of Officers and Ratification of Legal Counsel

STAFF RECOMMENDATION:

It is recommended that the Board of Directors:

1. Appoint Justin Scott-Coe as Secretary and Manager, and Ray Harton as Treasurer; and
2. Ratify that Kidman Gagen Law, LLC serve as Legal Counsel.

FINANCIAL IMPACT:

None.

BACKGROUND

Article V of the Monte Vista Irrigation Company’s (Company) Bylaws establishes the following Company Officers: President, Vice-President, Board Auditor, Secretary, Treasurer, and Manager. The President, Vice-President, and Board Auditor are members of the Company’s Board of Directors and are the same members as those elected to hold these positions on the Monte Vista Water District’s (District) Board of Directors. The Secretary, Treasurer, and Manager are to be staff members. Articles VIII, IX, and X of the Bylaws require that the Secretary, Treasurer, and Manager be appointed by the Company’s Board of Directors.

Kidman Gagen Law, LLC serves as the District’s Legal Counsel. Article XII of the Company’s Bylaws is silent as to how the Company’s Legal Counsel is appointed or recognized.

DISCUSSION

Since purchasing the Company in 1999, the District’s General Manager has served as the Company’s Manager and Secretary. Justin Scott-Coe became the District’s new General Manager on December 4, 2019.
Appointment of Officers and Ratification of Legal Counsel

Staff is unable to find past documentation of the appointment of the Company’s Treasurer or Legal Counsel. Past Company practice is for the District Treasurer (Director of Finance and Administrative Services) to serve as the Company’s Treasurer and for the District’s Legal Counsel to serve as the Company’s Legal Counsel.

Respectfully submitted,

[Signature]

Justin M. Scott-Coe
Manager (Acting)

Attachment
MINUTES OF THE SEMI-ANNUAL MEETING
OF THE BOARD OF DIRECTORS
OF THE MONTE VISTA IRRIGATION COMPANY

July 10, 2019

DIRECTORS PRESENT:
Sandra Rose, President
G. Michael Milhiser, Vice President
Tony Lopez, Director
Manny Martinez, Director/Board Auditor

DIRECTORS ABSENT:
Philip Erwin, Director

STAFF PRESENT:
Mark Kinsey, Manager
Andrew Gagen, Kidman Gagen Law, LLP
Ray Harton, Treasurer
Van Jew, Manager of Engineering, Operations, and Maintenance
Justin Scott-Coe, Assistant General Manager (Monte Vista Water District)
John Hughes, Water Systems Superintendent (Monte Vista Water District)
Hilton Saenz, Maintenance Superintendent (Monte Vista Water District)
Stephanie Reimer, Finance & Informational Technology Manager (Monte Vista Water District)
Betty Conti, Human Resources & Risk Administrator (Monte Vista Water District)
Kelley Donaldson, Community Affairs Manager (Monte Vista Water District)
Barry Rowley, Customer Service Supervisor (Monte Vista Water District)
Betty Conti, Human Resources & Risk Administrator (Monte Vista Water District)
Gabby Garcia, Executive Assistant I (Monte Vista Water District)

OTHERS IN ATTENDANCE:
None

CALL TO ORDER
President Rose called the meeting to order at 6:00 p.m.

FLAG SALUTE
Vice President Milhiser led those assembled in the Flag Salute

PUBLIC COMMENT/OPEN FORUM
None

AGENDA CHANGES/ADDITIONS
None

ITEM 1: BOARD MEETING MINUTES
Upon motion by Vice President Milhiser seconded by Director Lopez and unanimously carried:

M19-07-01
MOVED: Approved the January 9, 2019 meeting minutes
ITEM 2: STATEMENT OF CASH TRANSACTIONS THROUGH JUNE 30, 2019
Treasurer Harton presented the Statement of Cash Transactions through June 30, 2019.
Upon motion by Vice President Milhiser seconded by President Rose and unanimously carried:

M19-07-02

ITEM 3: BUDGET ADOPTION FISCAL YEAR END 2020
Treasurer Harton presented the proposed Fiscal Year End (FYE) 2020 Budget for the Monte Vista Irrigation Company (Company) as a preliminary financial outline for anticipated transactions in the coming year. Mr. Harton said the proposed operating budget has been developed to be consistent with the Monte Vista Water District’s (District) water supply approach for the coming FYE 2020. He provided an overview of projected revenues and anticipated expenditures for the Company. He concluded by recommending adoption of the FYE 2020 Budget for the Company. Discussion ensued.

Upon motion by Director Martinez seconded by President Rose and unanimously carried:

M19-07-03
MOVED: Approved the proposed FYE 2020 Budget for the Monte Vista Irrigation Company

ITEM 4: FYE 2020 COMPANY PRODUCTION RIGHTS
Manager of Engineering, Operations, and Maintenance Jew gave a graphical presentation on the Company’s FYE 2020 production rights and said that after purchasing the Company in 1999, the District utilized the Company’s recurring annual groundwater production rights to offset overproduction in the Chino Groundwater Basin (Basin). He said this practice was routine from FYE 2001 to 2010 and since 2010, the District has been an under-producer in the Basin and has not called on the usage of the Company’s groundwater production rights. Mr. Jew provided various scenarios of long-range water rights usage strategies to consider in managing the production rights currently in storage in order for the District to meet its desalter replenishment obligation. Mr. Jew provided a table for the FYE 2020 pumping rights for both the Company and the District for a combined total of 8,600 acre-feet (AF) per year. Mr. Jew also said that both the Company and the District have a combined 25,877 AF in storage which includes water in both excess carryover and local supplemental storage accounts. Mr. Jew recommended that the Board of Directors consider the potential allocation of the Company’s projected FYE 2020 unused Basin production rights, including allowing that water to move into storage to meet future desalter replenishment obligations. No action was taken as this was an informational update.

ITEM 5: MANAGER COMMENTS
None

ITEM 6: BOARD COMMENTS
None

There being no further business, President Rose adjourned the meeting at 6:25 p.m.

Respectfully submitted,

Justin Scott-Coe
Manager/Secretary
Monte Vista Irrigation Company
Statement of Cash Transactions

Balance as of:       June 30, 2019       $18,670.42

Receipts
CBWM Assessment Refund MVIC          4,078.34
                                       0.00
Total Receipts                        4,078.34

Subtotal                             $22,748.76

Disbursements
Watermaster Assessments              18,422.98
Stored Water Purchases               0.00
Administration Costs                 0.00
Board of Directors Fees              1,000.00
Insurance                             1,150.00
Accounting and Audit                 0.00
Legal                                 0.00

Total Disbursements                   $20,572.98

Balance as of:          December 31, 2019     $2,175.78
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<th>Amount Paid</th>
<th>Invo Date</th>
<th>Status</th>
<th>Cleared Date</th>
<th>Invoice</th>
<th>Check</th>
<th>Check #</th>
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<tbody>
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<td>1,150.00</td>
<td>9.90</td>
<td>11/2/2019</td>
<td></td>
<td></td>
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<td></td>
<td>07/24/2019 089886 ANTHONY LOPEZ</td>
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<tr>
<td>250.00</td>
<td>9.90</td>
<td>07/31/2019</td>
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<td>07/24/2019 089886 ANTHONY LOPEZ</td>
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<td>07/24/2019 089886 ANTHONY LOPEZ</td>
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<td>250.00</td>
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<td></td>
<td></td>
<td></td>
<td>07/24/2019 089886 ANTHONY LOPEZ</td>
</tr>
</tbody>
</table>

**Total Checks:** 6

**Myicap Total:** 20,572.98
January 22, 2020

Honorable Board of Directors
Monte Vista Irrigation Company

SUBJECT: Fiscal Year Ending 2019 Audit for the Monte Vista Irrigation Company

STAFF RECOMMENDATION:
It is recommended that the Board of Directors receive and approve the Fiscal Year Ending 2019 audit as presented.

FINANCIAL IMPACT:
None.

DISCUSSION

According to the Monte Vista Irrigation Company (Company) Bylaws, the Company must have an independent certified public accountant perform an annual audit to verify the financial status of the organization. The annual audit, ending June 30, 2019, has been completed by Fedak and Brown, LLP, a Certified Public Accountant in good standing in the State of California.

Financial Summary

For the year ending June 30, 2019, the Monte Vista Irrigation Company reported a change in net position of $226,171. There was a total of $3,098 in revenues from interest earnings with no income derived from the sale of water for the fiscal year ending June 30, 2019.

Expenditures for the fiscal year totaled $229,269, the majority of which was amortization expense. Total amortization expense for the year was $173,057, based on a 25-year amortization schedule for the depreciation of acquired groundwater water rights. Remaining expenditures for the year totaled $56,212 and were related to Chino Basin Watermaster assessments, insurance, audit, and general administration.
The assets of the Company consist primarily of pumping rights, which are carried on the Company's balance sheet net of accumulated amortization.

Respectfully submitted,

Ray L. Harton
Treasurer

Attachment
Monte Vista Irrigation Company

Annual Financial Report

For the Fiscal Years Ended June 30, 2019 and 2018
Monte Vista Irrigation Company
Annual Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018

Table of Contents

<table>
<thead>
<tr>
<th>Table of Contents</th>
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</thead>
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<tr>
<td>Table of Contents</td>
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</tr>
<tr>
<td>Independent Auditor’s Report</td>
<td>1-2</td>
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<tr>
<td>Basic Financial Statements:</td>
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<tr>
<td>Statements of Net Position</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Revenues, Expenses and Changes in Net Position</td>
<td>4</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to the Basic Financial Statements</td>
<td>6-14</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report

Board of Directors
Monte Vista Irrigation Company
Montclair, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Monte Vista Irrigation Company (Company), a component financial reporting unit of the Monte Vista Water District, as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Company’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; 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 opinions 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller’s Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit 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 entity’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 entity’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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monte Vista Irrigation Company as of June 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.
Independent Auditor’s Report, continued

Other Matters

Required Supplementary Information

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Fedak & Brown LLP
Cypress, California
December 11, 2019
Basic Financial Statements
Monte Vista Irrigation Company  
Statements of Net Position  
June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (note 2)</td>
<td>$157,334</td>
<td>183,777</td>
</tr>
<tr>
<td>Due from Monte Vista Water District</td>
<td>1,855,750</td>
<td>1,855,750</td>
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<tr>
<td>Prepaid expenses and other</td>
<td>2,376</td>
<td>1,876</td>
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<td><strong>Total current assets</strong></td>
<td>$2,015,460</td>
<td>2,041,403</td>
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<tr>
<td><strong>Non-current assets:</strong></td>
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<td></td>
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<tr>
<td>Water pumping rights, net (note 4)</td>
<td>778,768</td>
<td>951,825</td>
</tr>
<tr>
<td>Investment in San Antonio Water Company (note 3)</td>
<td>4,500</td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,798,728</td>
<td>2,997,728</td>
</tr>
</tbody>
</table>

| **Current liabilities:**  |            |            |
| Accounts payable and accrued expenses | 307,061    | 279,890    |
| **Total liabilities**     | 307,061    | 279,890    |

| **Net position** (note 5): |            |            |
| Net investment in water pumping rights | 778,768    | 951,825    |
| Unrestricted                | 1,712,899  | 1,766,013  |
| **Total net position**      | $2,491,667 | 2,717,838  |

See accompanying notes to the financial statements
Monte Vista Irrigation Company  
Statements of Revenues, Expenses and Changes in Net Position  
For the Fiscal Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water sales</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
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<tr>
<td>Chino Basin Watermaster assessment</td>
<td>21,257</td>
<td>19,426</td>
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<tr>
<td>Management and administrative</td>
<td>34,955</td>
<td>33,415</td>
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<tr>
<td>Total operating expenses</td>
<td>56,212</td>
<td>52,841</td>
</tr>
<tr>
<td>Operating loss before amortization</td>
<td>(56,212)</td>
<td>(52,841)</td>
</tr>
<tr>
<td>Amortization of water pumping rights</td>
<td>(173,057)</td>
<td>(173,057)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(229,269)</td>
<td>(225,898)</td>
</tr>
<tr>
<td><strong>Non-operating revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest revenue on cash and cash equivalents</td>
<td>3,098</td>
<td>1,832</td>
</tr>
<tr>
<td>Total non-operating revenues, net</td>
<td>3,098</td>
<td>1,832</td>
</tr>
<tr>
<td><strong>Changes in net position</strong></td>
<td>(226,171)</td>
<td>(224,066)</td>
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<tr>
<td>Net position – beginning of year</td>
<td>2,717,838</td>
<td>2,941,904</td>
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<tr>
<td>Net position – end of year</td>
<td>$ 2,491,667</td>
<td>2,717,838</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements
Monte Vista Irrigation Company  
Statements of Cash Flows  
For the Fiscal Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to directors and vendors for services and materials</td>
<td>(29,541)</td>
<td>(26,298)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(29,541)</td>
<td>(26,298)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest revenue on cash and cash equivalents</td>
<td>3,098</td>
<td>1,832</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>3,098</td>
<td>1,832</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(26,443)</td>
<td>(24,466)</td>
</tr>
<tr>
<td>Cash and cash equivalents – beginning of year</td>
<td>183,777</td>
<td>208,243</td>
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<tr>
<td>Cash and cash equivalents – end of year</td>
<td>$ 157,334</td>
<td>183,777</td>
</tr>
</tbody>
</table>

Reconciliation of operating loss to net cash used in operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$ (229,269)</td>
<td>(225,898)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of water pumping rights</td>
<td>173,057</td>
<td>173,057</td>
</tr>
<tr>
<td><strong>Change in assets and liabilities:</strong></td>
<td></td>
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</tr>
<tr>
<td>(Increase) decrease in assets:</td>
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</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>(500)</td>
<td>1,200</td>
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<tr>
<td><strong>Increase in liabilities:</strong></td>
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<td></td>
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<tr>
<td>Accounts payable and accrued expenses</td>
<td>27,171</td>
<td>25,343</td>
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<tr>
<td><strong>Total adjustments</strong></td>
<td>199,728</td>
<td>199,600</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$ (29,541)</td>
<td>(26,298)</td>
</tr>
</tbody>
</table>

See accompanying notes to the basic financial statements
(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Monte Vista Irrigation Company (MVIC) was incorporated on June 29, 1908. The MVIC is a California nonprofit public benefit corporation formed to assist the Monte Vista Water District (District) with the purchase of water and pumping rights from the Chino Basin Watermaster and as such has no employees or other operations. On January 27, 1999, the District acquired the outstanding shares of stock of the MVIC. In conjunction with the transfer of the shares to the District, the MVIC transferred to the District all of its rights, title, and interest to approximately 6,710 acre feet of available water, which is comprised of water in storage with the Chino Basin Watermaster and unused pumping rights. The MVIC is governed by a board of five directors, each of whom must be members of the District’s Board.

The MVIC is a legally separate entity which is reported as a component unit of the Monte Vista Water District under the provisions of Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity, Omnibus. This Statement is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 34, Basic Financial Statement and Management’s Discussion and Analysis for State and local Governments.

B. Basis of Accounting and Measurement Focus

The MVIC reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the MVIC is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues, such as water sales, result from exchange transactions associated with the principal activity of the MVIC. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the MVIC gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

The MVIC’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Company solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Company’s proprietary fund.
(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The Company has adopted the following GASB pronouncements in the current year:

In November 2016, the GASB issued Statement No. 83 – Certain Asset Retirement Obligations. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government’s AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

In April 2018, the GASB issued Statement No. 88 – Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets

1. 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the MVIC equity during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of MVIC’s cash is invested in interest bearing cash management accounts. The MVIC considers all highly liquid investments with initial maturities of three months or less to be a cash equivalent.
D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets, continued

3. Investments and Investment Policy

The MVIC has adopted an investment policy directing the Finance Director to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Demand notes
- Money market securities
- California Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurement and Application

The Company categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. Due from Monte Vista Water District

The MVIC extends credit to customers in the normal course of business. Management deems all accounts receivable at June 30, 2019, as collectible. Accordingly, an allowance for doubtful accounts has not been recorded. At June 30, 2019 and 2018, the balance due from Monte Vista Water District was $1,855,750, respectively.


Capital assets acquired and/or constructed are capitalized at historical cost. MVIC’s policy has set the capitalization threshold for reporting capital assets at $1,000. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets. Pumping rights are amortized over a twenty-five year period.
Monte Vista Irrigation Company
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Assets, continued

7. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets Component of Net Position** – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

- **Restricted Component of Net Position** – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- **Unrestricted Component of Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits held with financial institutions</td>
<td>$18,671</td>
<td>$48,211</td>
</tr>
<tr>
<td>Deposits held with the California Local Agency Investment Fund</td>
<td>$138,663</td>
<td>$135,566</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$157,334</strong></td>
<td><strong>183,777</strong></td>
</tr>
</tbody>
</table>

As of June 30, the Company's authorized deposits had the following maturities:

<table>
<thead>
<tr>
<th>Deposits held with the California Local Agency Investment Fund</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>173 days</td>
<td>193 days</td>
</tr>
</tbody>
</table>

**Authorized Deposits and Investments**

The MVIC’s investment policy only authorizes deposits and investments in certain items as listed in Note 1(D)(3) to the financial statements. The MVIC’s investment policy does not contain any specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

**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.
(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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. 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 marketable securities through the use of mutual funds or government investment pools (such as LAIF). The Code and the MVIC’s investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the MVIC’s name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The MVIC’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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; however, LAIF is not rated.

Concentration of Credit Risk

The MVIC’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The MVIC’s deposit portfolio with governmental agencies, LAIF, is 88% and 74% as of June 30, 2019 and 2018, respectively, of the MVIC’s total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the MVIC’s total investments.

Investment in State Investment Pool

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 financial statements at 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 is available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.
(3) **Investment in San Antonio Water Company**

In 2002, the MVIC purchased one share of stock in the San Antonio Water Company (SAWC) at a cost of $4,500. Ownership of at least one share of stock was necessary for the MVIC to purchase water held in storage by the SAWC within the Chino Groundwater Basin for groundwater replenishment purposes.

(4) **Water Pumping Rights, net**

Changes in water pumping rights for 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance 2018</th>
<th>Additions</th>
<th>Deletions/ Transfers</th>
<th>Balance 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortizable assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pumping rights</td>
<td>$4,326,437</td>
<td></td>
<td></td>
<td>$4,326,437</td>
</tr>
<tr>
<td>Total amortizable assets</td>
<td>4,326,437</td>
<td></td>
<td></td>
<td>4,326,437</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(3,374,612)</td>
<td></td>
<td></td>
<td>(3,547,669)</td>
</tr>
<tr>
<td>Total amortizable assets</td>
<td>$951,825</td>
<td>(173,057)</td>
<td></td>
<td>778,768</td>
</tr>
</tbody>
</table>

Changes in water pumping rights for 2018 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance 2017</th>
<th>Additions</th>
<th>Deletions/ Transfers</th>
<th>Balance 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortizable assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pumping rights</td>
<td>$4,326,437</td>
<td></td>
<td></td>
<td>$4,326,437</td>
</tr>
<tr>
<td>Total amortizable assets</td>
<td>4,326,437</td>
<td></td>
<td></td>
<td>4,326,437</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(3,201,555)</td>
<td></td>
<td></td>
<td>(3,374,612)</td>
</tr>
<tr>
<td>Total amortizable assets</td>
<td>$1,124,882</td>
<td>(173,057)</td>
<td></td>
<td>951,825</td>
</tr>
</tbody>
</table>
(5) **Net Position**

Calculation of net position as of June 30, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in water pumping rights:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water pumping rights, net</td>
<td>$778,768</td>
<td>951,825</td>
</tr>
<tr>
<td>Total net investment in capital assets</td>
<td>778,768</td>
<td>951,825</td>
</tr>
<tr>
<td>Unrestricted net position:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-spendable net position:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,376</td>
<td>1,876</td>
</tr>
<tr>
<td>Total non-spendable net position</td>
<td>2,376</td>
<td>1,876</td>
</tr>
<tr>
<td>Spendable net position:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,710,523</td>
<td>1,764,137</td>
</tr>
<tr>
<td>Total spendable net position</td>
<td>1,710,523</td>
<td>1,764,137</td>
</tr>
<tr>
<td>Total unrestricted net position</td>
<td>1,712,899</td>
<td>1,766,013</td>
</tr>
<tr>
<td>Total net position</td>
<td>$2,491,667</td>
<td>2,717,838</td>
</tr>
</tbody>
</table>

(6) **Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

*Governmental Accounting Standards Board Statement No. 84*

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

*Governmental Accounting Standards Board Statement No. 87*

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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.
Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 87, continued

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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – Accounting for Interest Cost incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.
(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

**Governmental Accounting Standards Board Statement No. 90, continued**

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**Governmental Accounting Standards Board Statement No. 91**

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers’ conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

(7) Commitments and Contingencies

**Litigation**

In the ordinary course of operations, the MVIC is subject to claims and litigation from outside parties. After consultation with legal counsel, the Company believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(8) Subsequent Events

Events occurring after June 30, 2019 have been evaluated for possible adjustment to the financial statements or disclosure as of December 11, 2019, which is the date the financial statements were available to be issued.
January 22, 2020

Honorable Board of Directors
Monte Vista Irrigation Company

SUBJECT: Monte Vista Irrigation Company Annual Production Rights, Water in Storage, and Future Replenishment Obligations

STAFF RECOMMENDATION:

It is recommended that the Board of Directors receive and file this item.

FINANCIAL IMPACT:

There is no direct impact on the Fiscal Year Ending 2020 Budget as a result of this item.

DISCUSSION

After purchasing the Monte Vista Irrigation Company (Company) in 1999, the Monte Vista Water District (District) utilized MVIC’s recurring annual groundwater production rights used to offset overproduction in the Chino Groundwater Basin (Basin). This practice was routine from Fiscal Year Ending (FYE) 2001 to 2010. Since 2010, the District has been an underproducer in the Basin and has not called on the usage of the Company’s groundwater production rights.

As part of its long-range water usage strategy developed in 2012, the District and Company have been storing unproduced Company groundwater productions rights in the Basin for future use. In developing the long-range water supply strategy, it was determined that by increasing the amount of water held in storage, the District and Company would gain flexibility in the following conditions:

1. Elimination of replenishment supplies and/or pricing discounts from Metropolitan Water District of Southern California.

2. Reduction in imported water supply available due to drought, system failures, environmental issues, or other factors.
Monte Vista Irrigation Company Annual Production Rights, Water in Storage, and Future Replenishment Obligations

3. Meeting Basin desalter replenishment obligations shared, by agreement, among all Appropriative Pool producing parties. Stored water can be used to meet both the District and the Company’s obligations.

4. Enhancement of balance sheet and reduction in annual operating costs by pumping stored water.

5. Appreciation of an asset (i.e. stored water) increasing at a significantly higher rate of return than cash reserves.

Annual Production Rights and Water in Storage

The Company’s annual production rights for FYE 2020 are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Acre-feet (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carryover</td>
<td>553.3</td>
</tr>
<tr>
<td>Operating Safe Yield</td>
<td>553.3</td>
</tr>
<tr>
<td>Ag Pool Reallocation</td>
<td>383.1</td>
</tr>
<tr>
<td><strong>TOTAL in FYE 2020 Annual Production Rights</strong></td>
<td><strong>936.4</strong></td>
</tr>
</tbody>
</table>

Also, at the beginning of this fiscal year, the Company’s production rights in storage are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>AF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess Carryover</td>
<td>9,375.0</td>
</tr>
<tr>
<td>Local Supplemental Storage</td>
<td>5,453.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>14,828.9</strong></td>
</tr>
</tbody>
</table>

Future Replenishment Obligations: 19,000 AF

The Optimum Basin Management Plan of the Chino Basin Watermaster requires the construction and operation of the Chino Basin Desalters for the purposes of maintaining the safe yield of the basin. As stakeholders and water purveyors in the Basin, the Company has a significant requirement to participate and provide replenishment for the operation of the Desalters. The Company will be meeting its desalter replenishment obligation by transferring its stored water to the Chino Basin Watermaster. Staff is estimating the Company’s desalter replenishment obligation through FYE 2030 to be approximately 2,000 AF. The District, lone shareholder of the Company, has an estimated 17,000 AF desalter replenishment obligation through FYE 2030.

Respectfully submitted,

Van M. Jew
Manager of Engineering, Operations, and Maintenance

Justin M. Scott-Coe
Manager