

# MONTE VISTA IRRIGATION COMPANY

Teleconference: (773) 231-9226 Meeting ID 238-267-3925 Password 007304

Video: <https://meetings.ringcentral.com/my/boardmeeting> Password 007304

## NOTICE AND AGENDA OF REGULAR BOARD OF DIRECTORS MEETING

**WEDNESDAY, JANUARY 27, 2021 • 6:00 P.M.**

Consistent with the provisions set forth in the Governor's Executive Order N-29-20, this meeting will be conducted telephonically by the Board of Directors. Interested members of the public may participate in the meeting to observe and/or provide public comment by using the access information listed above.

### **1. Call to Order/Flag Salute**

### **2. Public Comment/Open Forum**

Members of the public may address the Board of 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. Comments are limited to three (3) minutes per speaker.

### **3. 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.

### **4. Meeting Minutes**

**Meeting Date:** July 8, 2020

**Recommendation:** Approve as presented.

### **5. Statement of Cash Transactions through December 31, 2020**

**Presenter:** Leah Nazaroff, Accounting Supervisor

**Recommendation:** Approve as presented.

### **6. Fiscal Year Ending 2020 Audit for the Monte Vista Irrigation Company**

**Presenter:** Leah Nazaroff, Accounting Supervisor

**Recommendation:** Approve as presented.

### **7. Manager Comments**

### **8. Board Comments**

### **9. Adjournment**

### **DECLARATION OF POSTING**

In accordance with the requirement 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 seventy-two (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](mailto:ggarcia@mvwd.org). Notification forty-eight (48) hours prior to the meeting will enable District staff to make reasonable arrangements to assure accessibility to the meeting.

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

**JULY 8, 2020**

**DIRECTORS PRESENT:**

Sandra Rose, President  
G. Michael Milhiser, Vice President  
Manny Martinez, Board Auditor  
Philip Erwin, Director  
Tony Lopez, Director

**DIRECTORS ABSENT:**

None.

**STAFF PRESENT:**

Justin Scott-Coe, Manager/Secretary  
Andrew Gagen, Legal Counsel  
Stephanie Reimer, Treasurer (acting)  
Van Jew, Director of Engineering, Operations & Maintenance (Monte Vista Water District)  
Betty Conti, Human Resources & Risk Administrator (Monte Vista Water District)  
Kelley Donaldson, Community Affairs Manager (Monte Vista Water District)  
John Hughes, Water Systems Superintendent (Monte Vista Water District)  
Hilton Saenz, Maintenance Superintendent (Monte Vista Water District)  
Juan Ventura, Customer Service Supervisor (Monte Vista Water District)  
Leah Nazaroff, Accounting Supervisor (Monte Vista Water District)  
Gabby Garcia, Executive Assistant (Monte Vista Water District)

**OTHERS IN ATTENDANCE:**

None.

**CALL TO ORDER/FLAG SALUTE**

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

President Rose led those assembled in the Flag Salute.

**ROLL CALL:**

Legal Counsel Andrew Gagen stated that the Board of Directors meeting of the Monte Vista Irrigation Company was conducted pursuant to Executive Order N-29-20 and sections of the Brown Act unaffected by that Order. The board members, staff, and the public, if any, participated by speaker phone or some other electronic means.

Each board member confirmed their attendance and ability to hear the proceedings. Other attendees confirmed they could hear each board member. The Board and staff were reminded that any votes taken during the teleconference portion of the meeting must be taken by roll call vote. President Rose provided brief instructions on appropriate conduct during the meeting.

**PUBLIC COMMENT/OPEN FORUM**

None.

**AGENDA CHANGES/ADDITIONS**

None.

**ITEM 1: BOARD MEETING MINUTES**

Upon motion by Director Erwin, seconded by President Rose, and passed with (3) votes and (1) abstension:

**M20-07-01**

**MOVED:** Approved the January 22, 2020 meeting minutes (*Director Lopez abstained*), as by roll-call vote:

|                         |           |
|-------------------------|-----------|
| President Rose          | aye       |
| Vice President Milhiser | aye       |
| Board Auditor Martinez  | aye       |
| Director Erwin          | aye       |
| Director Lopez          | abstained |

**ITEM 1: APPOINTMENT OF OFFICER**

Manager Justin Scott-Coe said 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. Mr. Scott-Coe said 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. He further said the Secretary, Treasurer, and Manager are to be staff members. In addition, he said the Company Bylaws also require that the Secretary, Treasurer, and Manager be appointed by the Company’s Board of Directors. Mr. Scott-Coe said Ms. Stephanie Reimer was appointed to the position of Assistant General Manager/Chief Financial Officer for the District on May 27, 2020. He said in accordance with Article X of the Company’s Bylaws, it is recommended that the Board appoint Ms. Reimer to serve as the Company’s Treasurer.

Upon motion by Director Erwin, seconded by President Rose, and unanimously carried:

**M20-07-02**

**MOVED:** The Board of Directors approved to appoint Stephanie Reimer as Treasurer, as by roll-call vote:

|                         |     |
|-------------------------|-----|
| President Rose          | aye |
| Vice President Milhiser | aye |
| Board Auditor Martinez  | aye |
| Director Erwin          | aye |
| Director Lopez          | aye |

**ITEM 2: STATEMENT OF CASH TRANSACTIONS THROUGH JUNE 30, 2020**

Accounting Supervisor Leah Nazaroff presented the Statement of Cash Transactions through June 30, 2020.

Upon motion by Director Erwin, seconded by Vice President Milhiser, and unanimously carried:

**M20-07-03**

**MOVED:** Approved the Statement of Cash Transactions through June 30, 2020, as by roll-call vote:

|                         |     |
|-------------------------|-----|
| President Rose          | aye |
| Vice President Milhiser | aye |
| Board Auditor Martinez  | aye |
| Director Erwin          | aye |
| Director Lopez          | aye |

**ITEM 3: BUDGET ADOPTION FISCAL YEAR ENDING 2021**

Accounting Supervisor Leah Nazaroff presented the proposed Fiscal Year Ending (FYE) 2021 Budget for the Monte Vista Irrigation Company (Company) as a preliminary financial outline for anticipated transactions in the coming year. Ms. Nazaroff provided an overview of projected revenues and anticipated expenditures for the Company. She concluded by recommending adoption of the FYE 2021 Budget for the Company. Discussion ensued.

Upon motion by Director Lopez, seconded by Board Auditor Martinez, and unanimously carried:

**M20-07-04**

**MOVED:** Approved the proposed Fiscal Year Ending 2021 Budget for the Monte Vista Irrigation Company, as by roll-call vote:

|                         |     |
|-------------------------|-----|
| President Rose          | aye |
| Vice President Milhiser | aye |
| Board Auditor Martinez  | aye |
| Director Erwin          | aye |
| Director Lopez          | aye |

**ITEM 4: ANNUAL PRODUCTION RIGHTS, WATER IN STORAGE, AND FUTURE REPLENISHMENT OBLIGATIONS**

Manager of Engineering, Operations, & Maintenance Van Jew gave a graphical presentation to the Board and said after purchasing the Monte Vista Irrigation Company (Company) in 1999, the Monte Vista Water District (District) utilized the Company’s recurring annual groundwater production rights to offset overproduction in the Chino Groundwater Basin (Basin). Mr. Jew said this practice was routine from Fiscal Year Ending (FYE) 2001 to 2010. 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 said 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. He said 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 under the following conditions:

- Production rights provide flexibility and lets the District be less reliant on imported water
- Production rights are needed in response to the unforeseen (e.g., drought, imported water system failures, environmental issues, or other factors)
- Production rights can be used in lieu of cash to meet Chino Basin Watermaster desalter replenishment obligations
- Production rights can be used to enhance cash balances
- Production rights appreciate in value

Mr. Jew provided a table for the FYE 2020 annual production rights and water in storage for the Company for a combined total of 14,828.9 acre-feet (AF) per year, which includes water in both excess carryover and local supplemental storage accounts. Furthermore, Mr. Jew said the Chino Basin Optimum Basin Management Plan requires the construction and operation of the Chino Basin Desalters for the purposes of maintaining the safe yield of the Basin. He said the Company will be meeting its desalter replenishment obligation by transferring its stored water to the Chino Basin Watermaster. He said staff is estimating the Company's desalter replenishment obligation through FYE 2030 to be approximately 2,000 AF. Mr. Jew said the District has an estimated 24,000 AF desalter replenishment obligation through FYE 2030. Finally, Mr. Jew provided the combined Company and District water in storage projections through 2030. No action was taken as this was an informational update.

**ITEM 5: MANAGER COMMENTS**

None.

**ITEM 6: BOARD COMMENTS**

None.

**ITEM 7: ADJOURNMENT**

Upon motion by Vice President Milhiser, seconded by Board Auditor Martinez, and unanimously carried:

**M20-07-05**

**MOVED:** Approved to adjourn the Monte Vista Irrigation Company meeting, as per roll call vote:

|                         |     |
|-------------------------|-----|
| President Rose          | aye |
| Vice-President Milhiser | aye |
| Director Erwin          | aye |
| Director Lopez          | aye |
| Director Martinez       | aye |

There being no further business, President Rose adjourned the meeting at 6:30 p.m.

Respectfully submitted,

Justin M. Scott-Coe  
Manager/Secretary



**Check History Listing**  
Monte Vista Water District

Bank code: mvicap

| Check #              | Date       | Vendor                     | Status | Clear/Void Date | Invoice         | Inv. Date  | Amount Paid | Check Total      |
|----------------------|------------|----------------------------|--------|-----------------|-----------------|------------|-------------|------------------|
| 1388                 | 07/16/2020 | 008985 PHILLIP ERWIN       | C      | 07/31/2020      | 07-2020 MVIC    | 07/31/2020 | 250.00      | 250.00           |
| 1389                 | 07/16/2020 | 008986 ANTHONY LOPEZ       | C      | 07/31/2020      | 07-2020 MVIC    | 07/31/2020 | 250.00      | 250.00           |
| 1390                 | 07/16/2020 | 008987 MANNY MARTINEZ      | C      | 07/31/2020      | 07-2020 MVIC    | 07/31/2020 | 250.00      | 250.00           |
| 1391                 | 07/16/2020 | 008988 G. MICHAEL MILHISER | C      | 07/31/2020      | 07-2020 MVIC    | 07/31/2020 | 250.00      | 250.00           |
| 1392                 | 07/16/2020 | 008989 SANDRA ROSE         | C      | 07/31/2020      | 07-2020 MVIC    | 07/31/2020 | 250.00      | 250.00           |
| 1393                 | 08/20/2020 | 000070 FEDAK & BROWN LLP   | C      | 08/31/2020      | 072720-F&B-MVIC | 07/27/2020 | 270.00      | 270.00           |
| 1394                 | 09/18/2020 | 000046 CHINO BASIN WATERMA | C      | 09/30/2020      | 2020-09-SPE     | 08/25/2020 | 1,040.25    | 1,040.25         |
| 1395                 | 12/10/2020 | 000070 FEDAK & BROWN LLP   |        |                 | 112520-F&B-MVIC | 11/25/2020 | 1,625.00    | 1,625.00         |
| 1396                 | 12/16/2020 | 000046 CHINO BASIN WATERMA |        |                 | AP21-10         | 11/19/2020 | 18,247.32   | 18,247.32        |
| <b>mvicap Total:</b> |            |                            |        |                 |                 |            |             | <b>22,432.57</b> |
| <b>Total Checks:</b> |            |                            |        |                 |                 |            |             | <b>22,432.57</b> |

9 checks in this report



# Monte Vista Irrigation Company

**Justin Scott-Coe**  
Manager

January 27, 2021

Honorable Board of Directors  
Monte Vista Irrigation Company

**SUBJECT: Fiscal Year Ending 2020 Audit for the Monte Vista Irrigation Company**

**STAFF RECOMMENDATION:**

It is recommended that the Board of Directors receive and approve the Fiscal Year Ending 2020 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, 2020, 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, 2020, the Monte Vista Irrigation Company reported a change in net position of \$222,097. There was a total of \$6,811 in revenues from interest earnings with no income derived from the sale of water for the fiscal year ending June 30, 2020.

Expenditures for the fiscal year totaled \$228,908, 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 \$55,851 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,



Leah I. Nazaroff  
Accounting Supervisor



Stephanie A. Reimer  
Treasurer



Justin M. Scott-Coe  
Manager

Attachment

**Monte Vista Irrigation Company**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2020 and 2019**

**Monte Vista Irrigation Company**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Andy Beck, CPA

# Fedak & Brown LLP

Certified Public Accountants

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## 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, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

**Fedak & Brown LLP**

Cypress, California

December 9, 2020

# **Basic Financial Statements**

**Monte Vista Irrigation Company**  
**Statements of Net Position**  
**June 30, 2020 and 2019**

|  | <b>2020</b>         | <b>2019</b>      |
|--|---------------------|------------------|
| <b>Current assets:</b>                           |                     |                  |
| Cash and cash equivalents (note 2)               | \$ 237,819          | 157,334          |
| Due from Monte Vista Water District              | 1,755,750           | 1,855,750        |
| Prepaid expenses and other                       | 2,259               | 2,376            |
| Total current assets                             | 1,995,828           | 2,015,460        |
| <b>Non-current assets:</b>                       |                     |                  |
| Water pumping rights, net (note 4)               | 605,711             | 778,768          |
| Investment in San Antonio Water Company (note 3) | 4,500               | 4,500            |
| Total non-current assets                         | 610,211             | 783,268          |
| <b>Total assets</b>                              | <b>2,606,039</b>    | <b>2,798,728</b> |
| <b>Current liabilities:</b>                      |                     |                  |
| Accounts payable and accrued expenses            | 336,469             | 307,061          |
| <b>Total liabilities</b>                         | <b>336,469</b>      | <b>307,061</b>   |
| <b>Net position (note 5):</b>                    |                     |                  |
| Net investment in water pumping rights           | 605,711             | 778,768          |
| Unrestricted                                     | 1,663,859           | 1,712,899        |
| <b>Total net position</b>                        | <b>\$ 2,269,570</b> | <b>2,491,667</b> |

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, 2020 and 2019**

|   | <b>2020</b>  | <b>2019</b> |
|---|--------------|-------------|
| <b>Operating revenues:</b>                    |              |             |
| Water sales                                   | \$ -         | -           |
| Total operating revenues                      | -            | -           |
| <b>Operating expenses:</b>                    |              |             |
| Chino Basin Watermaster assessment            | 19,895       | 21,257      |
| Management and administrative                 | 35,956       | 34,955      |
| Total operating expenses                      | 55,851       | 56,212      |
| Operating loss before amortization            | (55,851)     | (56,212)    |
| Amortization of water pumping rights          | (173,057)    | (173,057)   |
| <b>Operating loss</b>                         | (228,908)    | (229,269)   |
| <b>Non-operating revenues:</b>                |              |             |
| Interest revenue on cash and cash equivalents | 2,710        | 3,098       |
| Other revenue                                 | 4,101        | -           |
| Total non-operating revenues, net             | 6,811        | 3,098       |
| <b>Changes in net position</b>                | (222,097)    | (226,171)   |
| <b>Net position – beginning of year</b>       | 2,491,667    | 2,717,838   |
| <b>Net position – end of year</b>             | \$ 2,269,570 | 2,491,667   |



**Monte Vista Irrigation Company**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

|  | <u>2020</u>         | <u>2019</u>      |
|--|---------------------|------------------|
| <b>Cash flows from operating activities:</b>   |                     |                  |
| Receipts from Monte Vista Water District   | \$ 100,000          | -                |
| Payments to directors  | (2,000)             | (2,250)          |
| Payments to vendors for services and materials   | <u>(24,326)</u>     | <u>(27,291)</u>  |
| <b>Net cash provided by (used in) operating activities</b>   | <u>73,674</u>       | <u>(29,541)</u>  |
| <b>Cash flows from non-capital financing activities:</b>   |                     |                  |
| Other revenue  | <u>4,101</u>        | <u>-</u>         |
| <b>Net cash provided by non-capital financing activities</b>   | <u>4,101</u>        | <u>-</u>         |
| <b>Cash flows from investing activities:</b>   |                     |                  |
| Interest revenue on cash and cash equivalents  | <u>2,710</u>        | <u>3,098</u>     |
| <b>Net cash provided by investing activities</b>   | <u>2,710</u>        | <u>3,098</u>     |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 80,485              | (26,443)         |
| <b>Cash and cash equivalents – beginning of year</b>   | <u>157,334</u>      | <u>183,777</u>   |
| <b>Cash and cash equivalents – end of year</b>   | <u>\$ 237,819</u>   | <u>157,334</u>   |
| <br>   |                     |                  |
| <b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>        |                     |                  |
| Operating loss   | \$ <u>(228,908)</u> | <u>(229,269)</u> |
| <b>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</b> |                     |                  |
| Amortization of water pumping rights   | 173,057             | 173,057          |
| <b>Change in assets and liabilities:</b>   |                     |                  |
| <b>Decrease (increase) in assets:</b>  |                     |                  |
| Prepaid expenses and other   | 117                 | (500)            |
| <b>Increase in liabilities:</b>  |                     |                  |
| Accounts payable and accrued expenses  | <u>29,408</u>       | <u>27,171</u>    |
| <b>Total adjustments</b>   | <u>302,582</u>      | <u>199,728</u>   |
| <b>Net cash provided by (used in) operating activities</b>   | <u>\$ 73,674</u>    | <u>(29,541)</u>  |
| <br>   |                     |                  |
| <b>Non-cash investing and financing transactions:</b>  |                     |                  |
| Change in fair market value of investments   | <u>\$ 1,573</u>     | <u>(28)</u>      |

See accompanying notes to the basic financial statements

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(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.

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

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

**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. Uncertainty**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Company and the duration cannot be estimated at this time.

**3. 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.

**4. Investments and Investment Policy**

The MVIC has adopted an investment policy directing the Assistant General Manager/Chief Financial Officer 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.

**5. 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.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

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

**6. 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, 2020, as collectible. Accordingly, an allowance for doubtful accounts has not been recorded. At June 30, 2020 and 2019, the balance due from Monte Vista Water District was \$1,755,750 and \$1,855,750, respectively.

**7. Capital Assets – Water Pumping Rights**

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.

**8. Net Position**

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

- **Net Investment in Capital Assets** – 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** – 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** – Consists of the net amount of 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 components of net position

**(2) Cash and Cash Equivalents**

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

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Deposits held with financial institutions                      | \$ 96,445   | 18,671      |
| Deposits held with the California Local Agency Investment Fund | 141,374     | 138,663     |
| Total  | \$ 237,819  | 157,334     |

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

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Deposits held with the California Local Agency Investment Fund | 191 days    | 173 days    |

***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.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

***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 (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 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 59% and 88% as of June 30, 2020 and 2019, 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 Company 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 Company's investment in this pool is reported in the accompanying financial statements at amounts based upon the Company'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.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

*Investment in State Investment Pool, continued*

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 2020 were as follows:

|                          | <u>Balance<br/>2019</u> | <u>Additions</u> | <u>Deletions/<br/>Transfers</u> | <u>Balance<br/>2020</u> |
|--------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Amortizable assets:      |                         |                  |                                 |                         |
| Pumping rights           | \$ 4,326,437            | -                | -                               | 4,326,437               |
| Total amortizable assets | 4,326,437               | -                | -                               | 4,326,437               |
| Accumulated amortization | <u>(3,547,669)</u>      | <u>(173,057)</u> | -                               | <u>(3,720,726)</u>      |
| Total amortizable assets | <u>\$ 778,768</u>       | <u>(173,057)</u> | <u>-</u>                        | <u>605,711</u>          |

Changes in water pumping rights for 2019 were as follows:

|                          | <u>Balance<br/>2018</u> | <u>Additions</u> | <u>Deletions/<br/>Transfers</u> | <u>Balance<br/>2019</u> |
|--------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Amortizable assets:      |                         |                  |                                 |                         |
| Pumping rights           | \$ 4,326,437            | -                | -                               | 4,326,437               |
| Total amortizable assets | 4,326,437               | -                | -                               | 4,326,437               |
| Accumulated amortization | <u>(3,374,612)</u>      | <u>(173,057)</u> | -                               | <u>(3,547,669)</u>      |
| Total amortizable assets | <u>\$ 951,825</u>       | <u>(173,057)</u> | <u>-</u>                        | <u>778,768</u>          |

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(5) Net Position**

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

|   | <b>2020</b>  | <b>2019</b> |
|---|--------------|-------------|
| Net investment in water pumping rights: |              |             |
| Water pumping rights, net               | \$ 605,711   | 778,768     |
| Total net investment in capital assets  | 605,711      | 778,768     |
| Unrestricted net position:              |              |             |
| Non-spendable net position:             |              |             |
| Prepaid expenses                        | 2,259        | 2,376       |
| Total non-spendable net position        | 2,259        | 2,376       |
| Spendable net position:                 |              |             |
| Unrestricted                            | 1,661,600    | 1,710,523   |
| Total spendable net position            | 1,661,600    | 1,710,523   |
| Total unrestricted net position         | 1,663,859    | 1,712,899   |
| Total net position                      | \$ 2,269,570 | 2,491,667   |

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

***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.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

***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. 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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. 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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.



**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

***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.

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 were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. 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.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

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

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 were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 92***

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

***Governmental Accounting Standards Board Statement No. 93***

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR.

This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

***Governmental Accounting Standards Board Statement No. 93, continued***

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 94***

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 96***

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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

***Governmental Accounting Standards Board Statement No. 97***

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**(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.

**Monte Vista Irrigation Company**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(7) Commitments and Contingencies, continued**

***COVID-19 Pandemic***

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Company could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Company has not included any contingencies in the financial statements specific to this issue.

**(8) Subsequent Events**

Events occurring after June 30, 2020 have been evaluated for possible adjustment to the financial statements or disclosure as of December 9, 2020, which is the date the financial statements were available to be issued.