



CACHUMA CONSERVATION RELEASE BOARD BOARD OF DIRECTORS

REGULAR MEETING AGENDA

BY VIDEOCONFERENCE
(PARTICIPATION DETAILS BELOW)

City of Santa Barbara

Goleta Water District

Montecito Water District

August 5, 2021
2: 00 PM

MODIFIED BROWN ACT COMPLIANCE IN LIGHT OF COVID-19

Pursuant to State of California Executive Orders N-25-20 and N-29-20, members of the Cachuma Conservation Release Board (CCRB) Board of Directors (Board) and members of the public will participate in this meeting electronically by video- and/or teleconference, as described below. The access information for the Board and members of the public for this board meeting is as follows:

Join videoconference:

<https://us02web.zoom.us/j/82580196246?pwd=QlRuYnJDQ0p5MmJ2MW5DVjBXUiszUT09>

Join teleconference:

Call-in Number: 1.669.900.6833

Meeting ID: 825 8019 6246#

Passcode: 409289#

The Board may utilize different call-in information for any Closed Session items.

Any member of the public on the telephone may speak during the **Public Comment Period** or may email public comments to pcantle@ccrb-board.org and all comments will be read aloud during the meeting. During this period of modified Brown Act compliance, CCRB will use best efforts to swiftly resolve requests for reasonable modifications or accommodations for individuals with disabilities, consistent with the Americans with Disabilities Act, and will resolve any doubt whatsoever in favor of accessibility.

ROLL CALL

PUBLIC COMMENT PERIOD

Any member of the public may address the Board on any subject within the jurisdiction of the Board. The President of the Board will determine the total time for public comments. If you wish to address the Board, please email pcantle@ccrb-board.org, with subject line of "Request to Speak" and include a description of the subject you wish to address.

CONSENT AGENDA

Matters listed here comprise a consent agenda that may be acted upon by a single roll call vote of the Board.

CA-1) Meeting Minutes

Approval of minutes of the Board of Directors' July 1, 2021 meeting.

CA-2) Unaudited Interim Financial Report for the Period Ending June 30, 2021

Receive and file an unaudited interim financial report for the period ending June 30, 2021.

REGULAR AGENDA

RA-1) Receive a Presentation on the Fiscal Year 2019-2020 Audit and Authorize Auditing Services for FY 2020-2021.

Receive and consider a presentation on the Fiscal Year 2019-2020 Audit Report from Nasif, Hicks, Harris LLP. Receive and file the audit report and authorize the Executive Director to retain Nasif, Hicks, Harris LLP for FY20-21 audit services. (Est. time: 10 min.)

RA-2) State Water Board Order and Federal Consultation Process Update

Consider and discuss the status and possible outreach regarding State Water Resources Control Board Water Rights Order 2019-0148 and the Consultation process underway with the U.S. Bureau of Reclamation and National Marine Fisheries Service. (Est. time: 15 min.)

CLOSED SESSION AGENDA

CS-1) Conference with Legal Counsel – Anticipated Litigation

Initiation of litigation pursuant to Government Code section 54956.9(d)(4) (one potential case)

Reconvene in open session and report on any actions taken in closed session pursuant to Government Code Section 54957.1

REGULAR AGENDA (CONT.)

RA-3) Identify Agenda Items for Future Board Meetings

RA-4) Set Next Meeting for 2 PM Thursday, September 2, 2021 by videoconference; and Adjourn

NOTICE TO PUBLIC

Americans with Disabilities Act: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Cachuma Conservation Release Board representative (pcantle@ccrb-board.org) at least 48 hours prior to the meeting to enable the Board to make reasonable arrangements.

[This Agenda was posted to the CCRB website and delivered in accordance with Sections 54954.1 and 54956 of the Government Code.]

MINUTES OF A MEETING
of the
CACHUMA CONSERVATION RELEASE BOARD
held by Videoconference

July 1, 2021, 2:00 pm

CALL TO ORDER, ROLL CALL

The videoconference meeting was called to order at 2:01 pm by Board President Lauren Hanson. Those attending the meeting were:

Directors Present:

Lauren Hanson	Goleta Water District
Kristen Sneddon	City of Santa Barbara
Tobe Plough	Montecito Water District

Also Present:

Ryan Drake	Ted Harris
Dakota Corey	Joel Mulder
Peter Cantle	Warren Greco
Kevin O'Brien	

PUBLIC COMMENT

No one from the general public was present; there was no public comment.

CONSENT AGENDA

Executive Director Cantle noted to the Board that the CCRB proposed budget for the fiscal year beginning July 1, 2021 had been approved by all CCRB Member Agencies. Director Plough moved and Director Sneddon seconded approval of the Consent Agenda. The motion passed on a 3-0 roll call vote.

REGULAR AGENDA

RA-1, Election of Fiscal Year 2021/22 Officers

Following brief discussion, Director Sneddon nominated President Hanson to continue as President, and Director Plough nominated Director Sneddon to continue as Vice-President. The nominations passed 3-0 in a roll call vote.

RA-2, State Water Board and Federal Consultation Process Update. Executive Director Cantle advised the Board that the US Bureau of Reclamation (Reclamation) met with National Marine Fisheries Service on June 30 to discuss Reclamation's revised Biological Assessment and proposed action prior to initiating formal consultation. The Board discussed how CCRB may be of assistance to Reclamation in the consultation process. Cantle also noted that Reclamation has had limited exchange recently with Water Board staff as a result of the board's current focus on addressing the statewide drought.

CLOSED SESSION

CS-1) Conference with Legal Counsel – Anticipated Litigation. The Board went into closed session at 2:30 pm to discuss matters regarding potential litigation, pursuant to Government Code § 54956.9(d)(4).

CS-2) Public Employee Performance Review. The Board also met in closed session to conduct a performance evaluation, pursuant to Government Code § 54957(b)(1) (Executive Director).

The Board came out of closed session at 2:43 pm with no reportable actions.

REGULAR AGENDA – CONT.

RA-3, Executive Director Compensation

Following brief discussion, Director Plough made a motion, seconded by President Hanson, to increase the Executive Director's annual compensation by 2 percent. The motion passed 3-0 on a roll call vote.

RA-4, Identify Agenda Items for Future Board Meetings. The draft audit report for fiscal year 2019/2020 was identified as a future agenda item.

RA-5, Confirm Next Meeting(s) and Adjourn. The CCRB Board will next meet at 2:00 pm August 5, 2021 by videoconference. President Hanson adjourned the meeting at 2:50 pm.

Respectfully submitted,



Secretary to the Board



Cachuma Conservation
Release Board

Board of Directors

City of Santa Barbara

Goleta Water District

Montecito Water District

For Agenda Of: August 5, 2021
Estimated Time: (Consent)
Continued Item: No
If Yes, date from:

TO: Board Members
FROM: Peter Cantle, Executive Director
SUBJECT: CA-2: Unaudited Interim Financial Report for Period Ending June 30, 2021

Legal Concurrence

As to form: N/A

Recommended Actions

Receive and file an Unaudited Interim Financial Report for the period ending June 30, 2021.

Discussion

The Board of Directors approves the CCRB budget each fiscal year. Upon subsequent approval by each Member Agency's governing body, it becomes CCRB's operating budget for the fiscal year beginning July 1. As the fiscal year progresses, the Board receives monthly unaudited financial reports to compare fiscal performance against the adopted budget. This report addresses the period ending June 30, 2021.

Fiscal Analysis

Total income shown through June 30, 2021 was \$733,199.80, reflecting first, second and third quarter billings to the three Member Agencies. (As noted in previous reports, fourth-quarter billings were not issued to Member Agencies, as cash on hand was sufficient to complete the fiscal year.) After subtracting expenses booked through June 30, the \$236,292.63 remaining cash on hand will be processed according to the pro rata cost-sharing agreement and distributed back to the three Member Agencies as constructive returns.

Attachments

Attachment 1: Unaudited Interim Financial Report for the period ending June 30, 2021

Authored by

Peter Cantle, Executive Director

ATTACHMENT 1

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE
PERIOD ENDING MAY 31, 2021**

Cachuma Conservation Release Board
Statement of Revenue and Expense- Budget vs. Actual
July 2020 through June 2021

	Jul '20 - Jun 21	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4200 · Income	733,199.80	1,222,000.00	-488,800.20	60.0%
Total Income	733,199.80	1,222,000.00	-488,800.20	60.0%
Expense				
5050 · Office Lease	3,390.00	5,000.00	-1,610.00	67.8%
5100 · Audit	5,395.50	10,000.00	-4,604.50	54.0%
5200 · Liability Insurance	7,202.04	7,000.00	202.04	102.9%
5301 · Managers Salary				
5301.01 · Managers Gross Wages	165,000.10	0.00	165,000.10	100.0%
5301.02 · Employer Tax Expense	10,762.86			
5301 · Managers Salary - Other	0.00	179,000.00	-179,000.00	0.0%
Total 5301 · Managers Salary	175,762.96	179,000.00	-3,237.04	98.2%
5304 · Administrative Support	5,380.05	16,000.00	-10,619.95	33.6%
5312 · Misc Admin Expense	2,573.21	4,000.00	-1,426.79	64.3%
5313 · Communications/Computer	4,549.59	8,000.00	-3,450.41	56.9%
5316 · Admin Fixed Assets	0.00	4,000.00	-4,000.00	0.0%
5318 · Fraud	0.00			
5330 · Admin Travel Expense	0.00	8,000.00	-8,000.00	0.0%
5331 · Travel Federal & State Meetings	0.00	20,000.00	-20,000.00	0.0%
5332 · Transportation	0.00	1,000.00	-1,000.00	0.0%
6500 · Contingency	0.00	103,000.00	-103,000.00	0.0%
7000 · Legal	131,899.68	146,000.00	-14,100.32	90.3%
7001 · BO Reconsultation Legal Support	149,021.14	406,000.00	-256,978.86	36.7%
7002 · SWRCB Water Rights	16,623.00	80,000.00	-63,377.00	20.8%
7100 · SWRCB Support				
7200 · SWRCB Proceedings Support	110.00	185,000.00	-184,890.00	0.1%
Total 7100 · SWRCB Support	110.00	185,000.00	-184,890.00	0.1%
7500 · Hydrologic Technical Support	0.00	40,000.00	-40,000.00	0.0%
Total Expense	501,907.17	1,222,000.00	-720,092.83	41.1%
Net Ordinary Income	231,292.63	0.00	231,292.63	100.0%
Other Income/Expense				
Other Expense				
8100 · Constructive Return				
8100.01 · Goleta Water District	-2,301.50			
8100.02 · City of Santa Barbara	-2,044.00			
8100.03 · Montecito Water District	-654.50			
Total 8100 · Constructive Return	-5,000.00			
Total Other Expense	-5,000.00			
Net Other Income	5,000.00	0.00	5,000.00	100.0%
Net Income	236,292.63	0.00	236,292.63	100.0%

4:12 PM

07/02/21

Cachuma Conservation Release Board
Reconciliation Summary
1020 · CWB - Chkg #7204, Period Ending 06/30/2021

	<u>Jun 30, 21</u>
Beginning Balance	322,017.01
Cleared Transactions	
Checks and Payments - 17 items	<u>-50,350.51</u>
Total Cleared Transactions	<u>-50,350.51</u>
Cleared Balance	<u>271,666.50</u>
Uncleared Transactions	
Checks and Payments - 6 items	<u>-19,775.41</u>
Total Uncleared Transactions	<u>-19,775.41</u>
Register Balance as of 06/30/2021	<u>251,891.09</u>
Ending Balance	251,891.09



OK
Jul 6, 2021

Cachuma Conservation Release Board
Reconciliation Detail
1020 · CWB - Chkg #7204, Period Ending 06/30/2021

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						322,017.01
Cleared Transactions						
Checks and Payments - 17 items						
Bill Pmt -Check	05/25/2021		Downey Brand Attor...	X	-20,200.00	-20,200.00
Bill Pmt -Check	05/25/2021		California Strategies...	X	-8,000.00	-28,200.00
Bill Pmt -Check	05/25/2021		SDRMA	X	-718.86	-28,918.86
Bill Pmt -Check	05/25/2021		AccountabilityPlus, Inc	X	-627.78	-29,546.64
Bill Pmt -Check	05/25/2021		Patterson Self-Stora...	X	-290.00	-29,836.64
Bill Pmt -Check	05/25/2021		Peter Cantle	X	-169.48	-30,006.12
Bill Pmt -Check	05/25/2021		CIO Solutions, LP	X	-63.26	-30,069.38
Check	06/02/2021		Payroll Tax	X	-3,815.84	-33,885.22
General Journal	06/02/2021		Peter Cantle	X	-2,808.78	-36,694.00
Check	06/02/2021		Payroll Vault	X	-66.00	-36,760.00
Check	06/16/2021		Payroll Tax	X	-3,815.82	-40,575.82
General Journal	06/16/2021		Peter Cantle	X	-2,808.79	-43,384.61
Check	06/16/2021		Payroll Vault	X	-66.00	-43,450.61
Bill Pmt -Check	06/21/2021		Peter Cantle	X	-209.28	-43,659.89
Check	06/30/2021		Payroll Tax	X	-3,815.84	-47,475.73
General Journal	06/30/2021		Peter Cantle	X	-2,808.78	-50,284.51
Check	06/30/2021		Payroll Vault	X	-66.00	-50,350.51
Total Checks and Payments					-50,350.51	-50,350.51
Total Cleared Transactions					-50,350.51	-50,350.51
Cleared Balance					-50,350.51	271,666.50
Uncleared Transactions						
Checks and Payments - 6 items						
Bill Pmt -Check	06/21/2021		California Strategies...		-8,000.00	-8,000.00
Bill Pmt -Check	06/21/2021		Downey Brand Attor...		-7,518.50	-15,518.50
Bill Pmt -Check	06/21/2021		SDRMA		-3,504.55	-19,023.05
Bill Pmt -Check	06/21/2021		AccountabilityPlus, Inc		-399.10	-19,422.15
Bill Pmt -Check	06/21/2021		Patterson Self-Stora...		-290.00	-19,712.15
Bill Pmt -Check	06/21/2021		CIO Solutions, LP		-63.26	-19,775.41
Total Checks and Payments					-19,775.41	-19,775.41
Total Uncleared Transactions					-19,775.41	-19,775.41
Register Balance as of 06/30/2021					-70,125.92	251,891.09
Ending Balance					-70,125.92	251,891.09



OK
Jul 6, 2021



Cachuma Conservation
Release Board
Agenda Letter

Board of Directors

City of Santa Barbara

Goleta Water District

Montecito Water District

For Agenda Of: August 5, 2021

Estimated Time : 10 minutes

Continued Item: No

If Yes, date from:

TO: Board Members
FROM: Peter Cantle, Executive Director
SUBJECT: Item RA-1: Financial Audit for Fiscal Year Ending June 30, 2020

Legal Concurrence

As to form: N/A

Recommended Actions

Receive and consider a presentation on the Fiscal Year 2019-2020 Audit Report from Nasif, Hicks, Harris LLP. Receive and file the audit report and authorize the Executive Director to retain Nasif, Hicks, Harris LLP for FY20-21 audit services.

Discussion

Nasif, Hicks, Harris LLP was retained in April 2021 to audit CCRB's financial status for the fiscal year that ended June 30, 2020. The audit report presents a "clean" audit and identifies no significant issues. It is comprised of the two documents that are attached for the Board's review and consideration.

Fiscal Analysis

CCRB's current-year budget includes \$12,000 in Account Code 5100 for financial auditing, and I anticipate remaining at or near this cost, as the FY19-20 audit process has been smooth and unremarkable. If Nasif, Hicks, Harris LLP is retained to audit CCRB's FY20-21 (which closed June 30, 2021), that would mean the performance of two annual audits in a single fiscal year. As such, the costs in this account code would exceed the budgeted amount. In that case, savings in other codes and/or contingency funds could cover any overage.

Attachments:

Att. 1: *Cachuma Conservation Release Board Financial Statements, June 30, 2020 and 2019 (Nasif, Hicks, Harris LLP, dated July 16, 2021)*

Att. 2: *Cachuma Conservation Release Board Report to the Board of Directors and Management (Nasif, Hicks, Harris LLP, dated July 16, 2021)*

Authored by:

Peter Cantle, Executive Director

ATTACHMENT 1

***CACHUMA CONSERVATION RELEASE BOARD
FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019
(NASIF, HICKS, HARRIS LLP, DATED JULY 16, 2021)***

CACHUMA CONSERVATION RELEASE BOARD

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

CACHUMA CONSERVATION RELEASE BOARD

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Nasif, Hicks, Harris & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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July 16, 2021

Independent Auditors' Report

To the Board of Directors
Cachuma Conservation Release Board
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying statement of net position of Cachuma Conservation Release Board ("CCRB"), as of June 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise CCRB'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cachuma Conservation Release Board as of June 30, 2020, and the changes in its operations and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Predecessor Auditor

The financial statements of CCRB for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on December 3, 2020.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP

CACHUMA CONSERVATION RELEASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2020

This section presents management's analysis of the financial condition and activities of the Cachuma Conservation Release Board ("CCRB") for the fiscal year ended June 30, 2020. This information should be read in conjunction with the financial statements and the additional information included herewith.

OVERVIEW OF THE FINANCIAL STATEMENTS

CCRB operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Where appropriate, net total position (i.e. fund equity) is segregated into invested in capital and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in the net position.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

Summary of Organization and Business

CCRB is a public entity duly organized and existing in accordance with enabling legislation of the State of California: Chapter 5, Division 7, Title 1, of the Government Code (Section 6500 et seq.), the Joint exercise of Powers Act. CCRB was officially established as a joint powers agency through an agreement entitle "Joint Powers Agreement Respecting Cachuma Project Release and Water Conservation Program" ("Agreement") dated January 16, 1973, as amended February 11, 1974, by five public water agencies ("South Coast JPA parties") on the South Coast of Santa Barbara County, two of which have subsequently merged, and one which has withdrawn its membership in CCRB. The members of CCRB entered into the Agreement to promote their common objective of maximizing the amounts of water that they can obtain from the Cachuma Project or other sources that may be available to them, provided that CCRB not represent the South Coast JPA parties with respect to water rights or other projects upstream from Cachuma Reservoir. In particular, the South Coast Member Units formed CCRB as a joint powers entity with the authority to represent the parties with respect to their Cachuma Project water rights.

CCRB is presently composed of three of the four original South Coast JPA parties, all of which are public agencies: the Goleta Water District, the Montecito Water District, and the City of Santa Barbara. Two of the founding South Coast Member Unites of CCRB are no longer members. The Summerland Water District reorganized with the Montecito Water District, with Montecito Water District as the successor agency, and the Carpinteria Valley Water District ("CVWD") withdrew from CCRB as of January 1, 2011.

CACHUMA CONSERVATION RELEASE BOARD

MANAGEMENT’S DISCUSSION AND ANALYSIS

Summary of Organization and Business - continued

On behalf of the Bureau of Reclamation (“Reclamation”), CCRB and Santa Ynez River Water Conservation District, Improvement District No. 1 (“I.D. No. 1”) historically carried out the management actions and steelhead enhancement projects, as well as the long-term fisheries monitoring program for the Lower Santa Ynez River and its tributaries, as identified in the Lower Santa Ynez River Fish Management Plan (October 2000) (“FMP”) and the NMFS Biological Opinion on Cachuma Project Operations (September 2000) (“BO”). This work is also under the direction of an Adaptive Management committee (established by the BO and FMP) and a Consensus Committee, as specified by the 2001 Santa Ynez River Fisheries Memorandum of Understanding. CCRB sits on both of these committees. In January 2011, the Cachuma Operation and Maintenance Board (“COMB”) assumed responsibility for implementation of the 2000 BO, which actions constitute the existing Santa Ynez River Fisheries Program. CCRB continues to represent its Member Units in the SWRCB Cachuma water rights proceedings and the BO reconsultation activities.

Each of the CCRB Member Units appoints a representative to the CCRB Board of Directors. The following table shows the Member Unit’s voting structure for CCRB.

CCRB Member Units	Board of Representatives
Goleta Water District	1 vote
Montecito Water District	1 vote
City of Santa Barbara	1 vote
Total	3 votes

Under the Agreement, a majority number of votes is required for the approval of any decision, other than adjournment, which requires action of the Board of Directors. The unanimous consent of the representatives of the CCRB Member Units is required for the CCRB Board to take action on the following matters:

1. Approval of any single expenditure of funds exceeding \$500. It has been the common practice for the Board to consider expenditures funded through approved CCRB budget accounts simply by receiving, filing and approving periodic financial reports. These reports routinely include the following reports: payment of claims, a statement of net assets, and a statement of revenue and expense. No other specific expenditure approval actions have been practiced by the Board.
2. Approval of any policy decision involving the supply of water to the South Coast Area of Santa Barbara County (except decisions involving the Cachuma Project and the Santa Ynez River watershed downstream from the Cachuma Project and conjunctive operation and use of the Cachuma Project and groundwater in Santa Barbara County).

CACHUMA CONSERVATION RELEASE BOARD

MANAGEMENT’S DISCUSSION AND ANALYSIS

Summary of Organization and Business - continued

The table below indicates the normalized percentage cost of CCRB’s share for each of the CCRB Member Units. This is based on the proportionate amount of Cachuma Project water for which each of them is entitled pursuant to the 1995 Cachuma Project Renewal Master Contract. The CCRB Member Units were assessed for their respective share of budgeted costs.

CCRB Member Units (July 1, 2019 - June 30, 2020)	Cost & Expenses Percentage
Goleta Water District	46.03%
Montecito Water District	13.09%
City of Santa Barbara	40.88%
Total	100.00%

During fiscal year 2014-2015, CCRB and I.D. No. 1 shared consultant costs associated with the SWRCB water rights hearing proceedings and reconsultation on the BO through a reimbursement arrangement as specified in the March 2011 Joint Defense Cooperation Agreement. Administrative costs, general counsel legal costs and the retainer expense for a regulatory analyst were paid by the CCRB Member Units only.

With the shift of responsibilities for implementation of the existing Santa Ynez River Fisheries Program to COMB, CCRB’s responsibilities were limited to the SWRCB water rights proceedings and activities associated with reconsultation on the Cachuma Project BO. The CCRB General Manager continued working for CCRB in carrying out these functions from July 1, 2013 through January 30, 2014, as a single employee of CCRB. Between February 1 and April 21, 2014, management services were provided by a project manager at the Cardno consulting firm. Between April 21, 2014 and June 30, 2019, CCRB contracted with independent contractors to serve as General Manager (as of February 2018, “Executive Director”). As of July 1, 2019, the CCRB Executive Director became a single employee of CCRB.

Operating Assessments

The CCRB Member Units fund CCRB’s annual budget, including general and administrative functions, coordination and administration of SWRCB water rights hearing proceedings, and BO reconsultation activities, and were assessed quarterly for approved budgeted funds for Fiscal Year 2019-2020.

CCRB Committees

Appointments to committees are made by the President of the Board. In January 2011, the Board President appointed all three Directors to serve on CCRB’s committees as committees of the whole. These committees are ad hoc and meet when formed and needed.

CACHUMA CONSERVATION RELEASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

CCRB Legal Representation

In August 2003, through a Joint Legal Advocacy Agreement with I.D. No. 1, CCRB engaged the services of Best Best & Krieger, I.D. No. 1's special legal counsel, for issues related to the SWRCB Cachuma water rights hearing proceedings and Endangered Species Act issues. In November 2010, CCRB hired its own law firm, Downey Brand, to provide both special and general counsel services. CCRB withdrew from the Joint Legal Advocacy Agreement with I.D. No. 1, and entered into a new Joint Defense and Cooperation Agreement with I.D. No. 1 and the Santa Ynez River Water Conservation District effective March 1, 2011, which provided for separate legal counsel for each party for the same purposes as the 2003 Joint Legal Advocacy Agreement. In December 2012, CCRB entered into an Agreement with I.D. No. 1 for coordination of legal counsel relating to matters involving the Cachuma Project Biological Opinion, whereby special legal expenses for Downey Brand and Best Best & Krieger are shared, but legal representation remains separate for CCRB and I.D. No. 1, respectively. Sharing of special legal expenses between CCRB and I.D. No. 1 for the Cachuma Project Biological Opinion ceased after June 2015. In Fiscal Year 2019-2020, CCRB paid all costs for Downey Brand legal representation associated with the Cachuma Project Biological Opinion and the SWRCB water rights proceedings.

CACHUMA CONSERVATION RELEASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The following table shows a condensed version of CCRB's statement of net position with corresponding analysis regarding significant variations.

Condensed Statement of Net Position

	Year Ended			2020-2019 Variance		2019-2018 Variance	
	June 30, 2020	June 30, 2019	June 30, 2018	Dollar Change	Percent Change	Dollar Change	Percent Change
Current Assets	\$ 413,154	\$ 200,110	\$ 49,712	\$ 213,044	106.4%	\$ 150,398	302.5%
Total Assets	\$ 413,154	\$ 200,110	\$ 49,712	\$ 213,044	106.4%	\$ 150,398	302.5%
Current Liabilities	\$ 415,452	\$ 202,406	\$ 52,009	\$ 213,046	105.3%	\$ 150,397	289.2%
Total Liabilities	\$ 415,452	\$ 202,406	\$ 52,009	\$ 213,046	105.3%	\$ 150,397	289.2%
Net Position							
Unrestricted	\$ (2,298)	\$ (2,296)	\$ (2,297)	\$ -	0.0%	\$ 1	0.0%
Total Net Position	\$ (2,298)	\$ (2,296)	\$ (2,297)	\$ -	0.0%	\$ 1	0.0%

Statement of Net Position Analysis

- Current assets consist of the General Fund cash account and member assessments receivable. The increase from prior year is because at the end of fiscal year 2020, there was a budget surplus of approximately \$375,185 which was returned to member units in early fiscal year 2021.
- Current liabilities consist of trade payables, payroll liabilities, and the budget surplus that will be returned to member units in the following fiscal year. The increase in current liabilities is due to the increase in the amount returned to member units, which was \$375,185 in fiscal year 2020 compared to approximately \$147,441 in fiscal year 2019.

CACHUMA CONSERVATION RELEASE BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS - CONTINUED

The following table shows a condensed version of CCRB's Statement of Revenues, Expenses and Changes in Net Position, with corresponding analysis regarding significant variances.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended			2020-2019 Variance		2019-2018 Variance	
	June 30, 2020	June 30, 2019	June 30, 2018	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating Revenues (Expenses):							
Operating revenues	\$ 1,146,003	\$ 1,062,372	\$ 792,278	\$ 83,655	7.9%	\$ 270,070	34.1%
Operating expenses, excluding depreciation expense	(770,818)	(914,931)	(787,658)	(149,113)	16.3%	127,273	-16.2%
Depreciation	-	-	-	-	-	-	-
Operating Surplus	375,185	147,441	4,620	232,744	157.9%	142,821	3091.4%
Non-operating revenue	-	1	33	(1)	-100.0%	33	-97.0%
Non-operating expense	(375,185)	(147,441)	(4,653)	(232,744)	157.9%	142,788	3068.7%
Change in Net Position	\$ -	\$ 1	\$ -	\$ (1)	-100.0%	\$ 1	

Statement Analysis

- Operating revenues as of June 30, 2020 were higher than June 30, 2019 due to a projected increase in Biological Opinion Reconsultation activities and legal expenses.
- Operating expenses were lower than fiscal year 2019 due to a decrease in actual Biological Reconsultation activities and legal expenses.
- Non-operating expenses consist of approximately \$375,185 and \$147,441 in fiscal years 2020 and 2019, respectively, which represents that amount of unspent member assessments that were returned to member units.

CACHUMA CONSERVATION RELEASE BOARD
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash (Note 3)	\$ 413,154	\$ 200,110
Assessments receivable (Note 4)	-	-
Total current assets	413,154	200,110
TOTAL ASSETS	\$ 413,154	\$ 200,110
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 410,452	\$ 202,406
Payroll liabilities	5,000	-
Total current liabilities	415,452	202,406
Total liabilities	\$ 415,452	\$ 202,406
Commitments and Contingencies (Note 5)		
Net position:		
Net invested in capital assets	\$ -	\$ -
Unrestricted:		
Accumulated deficit	(2,298)	(2,296)
TOTAL NET POSITION	\$ (2,298)	\$ (2,296)

The accompanying notes are an integral part of these financial statements.

CACHUMA CONSERVATION RELEASE BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, AND 2019

	2020	2019
Revenues		
Operating and project assessments from member units	\$ 1,146,003	\$ 1,062,372
Interest income	-	1
Total revenues	1,146,003	1,062,373
Operating Expenses		
Biological Opinion Reconsultation activities	193,439	249,312
Biological Opinion Reconsultation legal support	102,810	130,785
Regulatory analyst	96,000	120,000
Hydrologic technical support	47,600	97,299
State Water Resource Control Board water rights legal support	26,902	37,902
Contingency	-	26,964
State Water Resource Control Board proceedings legal support	31,353	-
Total operating expenses	498,104	662,262
General and Administrative Expenses		
Payroll	177,814	150,000
Insurance	9,742	4,903
Office lease	3,360	3,541
Office expenses	5,255	5,752
Communications	10,773	4,266
Travel and conferences	1,883	1,636
Accounting	4,120	13,431
Miscellaneous	2,195	1,353
Legal	57,572	67,787
Total general and administrative expenses	272,714	252,669
Non-Operating Revenues and (Expenses)		
Amount constructively returned to member units	(375,185)	(147,441)
Change in Net Position	-	1
Total Net Position, Beginning of Year	(2,298)	(2,297)
Total Net Position, End of Year	\$ (2,298)	\$ (2,296)

The accompanying notes are an integral part of these financial statements.

CACHUMA CONSERVATION RELEASE BOARD
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Cash received from member units	\$ 1,146,003	\$ 1,062,372
Cash received from interest	-	1
Cash payments to suppliers for operations	(593,004)	(614,534)
Cash payments to employees	(172,814)	(150,000)
Cash returned to member unit	(167,141)	(147,441)
Net cash provided by operating activities	213,044	150,398
Net increase in cash	213,044	150,398
Cash and Cash Equivalents, Beginning of Year	200,110	49,712
Cash and Cash Equivalents, End of Year	\$ 413,154	\$ 200,110
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities:		
Change in net assets	\$ -	\$ 1
Adjustments to reconcile change in net assets to net cash used by operating activities		
Changes in operating assets and liabilities		
Accounts payable	208,044	150,397
Payroll liabilities	5,000	
Net Cash Provided by Operating Activities	\$ 213,044	\$ 150,398

The accompanying notes are an integral part of these financial statements.

CACHUMA CONSERVATION RELEASE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1: Organization

The Cachuma Conservation Release Board (“CCRB”) is a joint powers agency formed in January 1973 among the Carpinteria Valley Water District, Goleta Water District, the City of Santa Barbara, Montecito Water District and Summerland Water District. Subsequently, Montecito Water District and Summerland Water District merged, with Montecito Water District as the successor agency. CCRB was established to jointly represent the respective parties in protecting the Cachuma Project water rights interest of the CCRB member units. CCRB’s Board of Directors is made up of elected representatives from each of its member units.

Although not a member of CCRB, from July 1 through December 31, 2010 the Santa Ynez River Water Conservation District, Improvement District No. 1 (“I.D. No. 1”) participated and shared in the Santa Ynez River Fisheries Program activities, as specified by the Cachuma Project Biological Opinion (“BO”). COMB assumed responsibility for carrying out the Fisheries Program effective January 1, 2011. I.D. No. 1 discontinued sharing in the funding of the SWRCB water rights hearing matters related to the permits for continuing operations of the Cachuma Project, and the reconsultation process for the BO with CCRB after June 2015 (legal costs) and September 2016 (consultant costs).

Until January 1, 2011, CCRB’s voting board members were Carpinteria Valley Water District (“CVWD”), Goleta Water District, the City of Santa Barbara, and Montecito Water District. Effective January 1, 2011, CVWD withdrew from CCRB.

Note 2: Summary of Significant Accounting Policies

A) Basis of Accounting

CCRB operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net position. Where appropriate, net total position is segregated into net position invested in capital assets and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized at the time the related liabilities are incurred regardless of when paid.

CACHUMA CONSERVATION RELEASE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2: Summary of Significant Accounting Policies - continued

A) Basis of Accounting - continued

The financial statements of the Agency have been prepared in conformity with Generally Accepted Accounting Principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting financial reporting principles.

B) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes demand deposits and money market accounts, but does not include restricted cash.

C) Unspent Operating Assessments

The operating assessments represent amounts received from CCRB’s member units to fund current operations. To the extent that revenues exceed expenses in a given year, the unspent funds are constructively returned to the contributing member units in subsequent years to be used to reduce operating assessments required from the member units in future periods or returned to member units. The CCRB Board makes this determination.

D) Use of Estimates

The preparation of financial statements in conformity accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results will differ from those estimates.

CACHUMA CONSERVATION RELEASE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 3: Cash and Investments

At June 30, 2020 and 2019 the carrying amounts of cash in banks were \$413,154 and \$200,110 and the corresponding bank balances were \$470,344 and \$283,541, respectively. Of the bank balances at June 30, 2020, \$250,000 was covered by federal depository insurance. The California Government Code requires all California financial institutions to secure a local government agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of the agency's total deposits. All CCRB cash held by a financial institution is, therefore, entirely insured and collateralized.

Note 4: Related Party Transactions

As described in Note 1, CCRB's Board of Directors is made up of elected representatives from each of its member units. CCRB's revenue is provided by its member units through quarterly member assessments. Revenue collected and unspent during the year is constructively returned to the member units during the following fiscal year, unless designated for another purpose by the Board of Directors.

As of June 30, 2020 and 2019, there were no amounts due from member units. Unspent member assessments included in accounts payable as of June 30, 2020 and 2019 was \$375,185 and \$147,441, respectively. The amount will be constructively returned to member units during the following fiscal year.

Note 5: Commitments and Contingencies

Legal Proceedings

CCRB is involved in certain quasi-judicial matters that have arisen in the course of conducting business. These matters primarily involve the SWRCB proceedings regarding Cachuma Project water rights permits, which include a water rights hearing that was completed in late 2003, the completion of a final Environmental Impact Report ("EIR") on Cachuma Project Operations, and the ensuing final decision issued by the SWRCB in September 2019. It is the opinion of management and CCRB's special legal counsel that the proceedings will not have a material adverse effect on the financial statements of CCRB.

Other legal work involves Endangered Species Act activities related to the NMFS Biological Opinion for southern steelhead.

**CACHUMA CONSERVATION RELEASE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 5: Commitments and Contingencies - continued

SWRCB Cachuma Project Water Rights Hearings

During the fiscal year 1999-2000, CCRB completed Phase 1 of the Cachuma Project Water Rights Hearing. Phase 2 of the hearing was completed during the fiscal year 2003-2004. In August 2003, the SWRCB issued a draft Cachuma Project EIR for public comment. No activity on completing the final EIR took place for four years. In July 2007, the SWRCB completed a revised draft EIR and circulated it for another round of public comments. A second revised draft EIR was released in April 2011 and the final EIR was completed in December 2011. The SWRCB held a hearing on the final EIR in March 2012 and admitted it into the administrative hearing record.

The State Water Resource Control Board (“SWRCB”) released its Draft Order Amending Permits 11308 and 11310 held by the United State Bureau of Reclamation for the Cachuma Project, Santa Ynez River, Santa Barbara (“Draft Order”) on September 7, 2016. After receipt of written comments in November 2016, the SWRCB released the final order in September 2019. There is a potential for CCRB to be involved in litigation as a result of the decision.

Memorandum of Understanding Regarding Implementation of the Lower Santa Ynez River Fish Management Plan and Cachuma Project Biological Opinion

CCRB is a signatory to a Memorandum of Understanding (“MOU”) signed in 2001 to implement the flow and non-flow management actions identified in the BO/FMP. CCRB and I.D. No. 1 were responsible for the administration and implementation of the long-term fisheries program on the lower Santa Ynez River and its tributaries and utilized grant funding when available as the agencies carried out physical habitat improvements for steelhead. Effective January 1, 2011, COMB carried out these responsibilities.

CACHUMA CONSERVATION RELEASE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 5: Commitments and Contingencies - continued

Agreement Between the Santa Ynez River Water Conservation District, Improvements District No. 1, the Cachuma Conservation Release Board and the Santa Ynez River Water Conservation District Concerning Joint Defense and Cooperation in the Cachuma Project Permit Proceedings and the Cachuma Project Endangered Species Act Matters

CCRB is a signatory to a Joint Defense and Cooperation Agreement signed in March 2011 with the Santa Ynez River Water Conservation District, Improvement District No. 1 and the Santa Ynez River Water Conservation District for the purpose of cooperating in connection with: (1) ongoing hearings before the California State Water Resources Control Board regarding appropriative water rights permits and litigation that may arise out of those hearings; and (2) proceedings and matters including potential litigation involving the National Marine Fisheries Service Endangered Species Act listing of steelhead/rainbow trout as related to the continuing operation of the Cachuma Project.

National Marine Fisheries Service and United States Bureau of Reclamation Cachuma Project Biological Opinion

The National Marine Fisheries Service and United States Bureau of Reclamation have engaged in reconsultation proceedings on the Cachuma Project 2000 Biological Opinion. CCRB continues to actively work with the Bureau of Reclamation and National Marine Fisheries Service on the reconsultation. CCRB continues to engage stakeholders to protect the water rights interests of its member units.

Note 6: Subsequent Events

Subsequent events have been evaluated through July 16, 2021, the date the financial statements were available to be issued.

ATTACHMENT 2

CACHUMA CONSERVATION RELEASE BOARD

REPORT TO THE BOARD OF DIRECTORS AND MANAGEMENT

(NASIF, HICKS, HARRIS LLP, DATED JULY 16, 2021)

**CACHUMA CONSERVATION RELEASE BOARD
REPORT TO THE
BOARD OF DIRECTORS AND MANAGEMENT
JUNE 30, 2020**



Nasif, Hicks, Harris & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS

104 West Anapamu Street, Suite B | Santa Barbara, CA 93101
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Joseph G. Bishop
Rachelle O. Barnier
Elena Mund

July 16, 2021

To the Members of the Cachuma Conservation Release Board:

Annually, we review with the Board and Management those matters that are required by generally accepted auditing standards to be communicated, as well as other matters we believe would be of interest to the Board and Management. The attached report outlines those areas where we are required to communicate and certain other matters related to the audit of the financial statements of the Cachuma Conservation Release Board ("CCRB") for the year ended June 30, 2020.

If you have any questions, please contact me at (805) 979-9536.

Sincerely,

Nasif, Hicks, Harris & Co., LLP

By,

A handwritten signature in blue ink, appearing to read 'S. E. Turner'.

Sarah E. Turner, CPA

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I. Scope

- The matters raised in this report are only those which have come to our attention arising from our audit that we believe need to be brought to the attention of management and the Board. They are not a comprehensive record of all the matters arising, and in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for the use of management and the Board and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.
- Because of the inherent limitations of an audit, it is possible that material misstatements of the financial statements resulting from fraud and, to a lesser extent from error, may not have been detected.

II. Results of the Audit

- We have completed our audit of the financial statements of the Cachuma Conservation Release Board (“CCRB”) for the year ended June 30, 2020 and issued an unmodified opinion on CCRB’s financial statements.
- The primary purposes of this report are to present significant findings arising from our audit procedures and to communicate recommended enhancements to the internal control structure which came to our attention during our audit.
- We received full cooperation from management who provided us with complete access to the books and records of CCRB. There were no restrictions on the scope of our audit procedures.

III. Required Communications

Matter to be Communicated	Our Response
Auditor's responsibility under Generally Accepted Auditing Standards	
<ul style="list-style-type: none">The auditor should communicate the level of responsibility assumed under Generally Accepted Auditing Standards (GAAS).	<ul style="list-style-type: none">Our audit is designed to obtain reasonable, not absolute, assurance about the financial statements. This was also communicated in our engagement letter dated April 12, 2021.
Significant Accounting Policies and Unusual Transactions	
<ul style="list-style-type: none">The auditor should determine that those charged with governance are informed about the initial selection of and changes in significant accounting policies, including critical accounting policies, as well as the methods used to account for significant unusual transactions and the auditor's judgment about the quality of accounting principles.	<ul style="list-style-type: none">We have reviewed CCRB's accounting policies and believe that they are reasonable.
Management Judgments and Accounting Estimates	
<ul style="list-style-type: none">Those charged with governance should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.	<ul style="list-style-type: none">The following items are the most significant areas encountered during our audit which involved substantial levels of management judgment or application of accounting estimates. These estimates are sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may ultimately differ from management's current judgment:<ul style="list-style-type: none">Management's estimate of the allowance for uncollectability for contracts and grants receivable.During our audit of CCRB's financial statements for the year ended June 30, 2020, we reviewed the estimates made by management and found the basis for their conclusions to be reasonable. However, estimates could change and actual results could differ from those estimates.

III. Required Communications - continued

Matter to be Communicated	Our Response
Other Information in Documents Containing Audited Financial Information <ul style="list-style-type: none">Those charged with governance should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the related results.	<ul style="list-style-type: none">We are responsible for the review of other information in all documents containing audited financial statements to ensure their consistency with the financial statements. To our knowledge, no such documents have been issued.
Significant Audit Adjustments <ul style="list-style-type: none">All significant adjustments arising from the audit should be communicated to management.	<ul style="list-style-type: none">No significant adjustments arose during the course of the audit.
Disagreements with Management <ul style="list-style-type: none">Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the entity's financial statements or the auditor's report should be communicated to those charged with governance.	<ul style="list-style-type: none">No such disagreements occurred.
Consultation with Other Accountants <ul style="list-style-type: none">When the auditor is aware that management has consulted with other accountants about significant accounting or auditing matters, the auditor's views about the subject of the consultation should be communicated to those charged with governance.	<ul style="list-style-type: none">We are not aware of any consultations with other independent accountants on any matters.
Major Issues Discussed with Management Prior to Retention <ul style="list-style-type: none">Any major issues that were discussed with management in connection with our annual retention should be communicated to those charged with governance.	<ul style="list-style-type: none">No such issues were encountered.
Difficulties Encountered in Performing the Audit <ul style="list-style-type: none">Serious difficulties encountered in dealing with management that relate to the performance of the audit are required to be brought to the attention of those charged with governance.	<ul style="list-style-type: none">No such difficulties were encountered.

III. Required Communications - continued

Matter to be Communicated	Our Response
Deficiencies in Internal Control	
<ul style="list-style-type: none">• Those charged with governance should be advised of any material weaknesses or significant deficiencies in the design or operation of the internal control structure coming to the auditor's attention during the audit.	<ul style="list-style-type: none">• Refer to Section IV. Report to Management for internal control observations.
Material Uncertainties Related to Events and Conditions, Specifically Going Concern Issues	
<ul style="list-style-type: none">• The auditor should communicate any doubt regarding the entity's ability to continue as a going concern, and any other material uncertainties.	<ul style="list-style-type: none">• No material uncertainties were identified.
Fraud and Illegal Acts	
<ul style="list-style-type: none">• Those charged with governance should be adequately informed of any fraud or illegal acts noted.	<ul style="list-style-type: none">• During the course of our audit of the financial statements for the year ended June 30, 2020, we did not become aware of any fraud or illegal acts.• However, an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected. Because of the characteristic of fraud, particularly those involving concealment and falsified documentation including forgery, a properly planned audit may not detect a material misstatement. Further, the determination of whether an act is illegal is usually beyond the auditor's professional competence. The auditor's training and experience should ordinarily provide a reasonable basis for awareness that some client acts coming to their attention in the performance of the audit might be illegal. The further removed an illegal act is from events and transactions specifically reflected in the financial statements, the less likely the auditor is to become aware of the act or recognize the possible illegality.
Independence	
<ul style="list-style-type: none">• Those charged with governance should be informed of any relationships that in our professional judgment may reasonably be thought to bear on our independence.	<ul style="list-style-type: none">• To the best of our knowledge, there are no circumstances or relationships between the Cachuma Conservation Release Board and Nasif, Hicks, Harris & Co., LLP that would impair our independence in reporting on the financial statements.• We are independent accountants within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Accountants.• Peter Cantle, Executive Director, has been designated as the management-level individual with the requisite knowledge and experience to oversee our financial statement preparation (non-attest services).

III. Required Communications - continued

Matter to be Communicated	Our Response
Other Material Written Communications	
<ul style="list-style-type: none">• Those charged with governance should be informed of other material written communications between the auditor and management.	<ul style="list-style-type: none">• In addition to this report, the following are other material written communications between Nasif, Hicks, Harris & Co., LLP and CCRB during 2020:<ul style="list-style-type: none">- Engagement letter for the audit of the financial statements for the year ended June 30, 2020 dated April 12, 2021.- Management representation letter dated July 16, 2021.- Independent Auditors' Report on Audited Financial Statements for the year ended June 30, 2020 dated July 16, 2021.

IV. Report to Management

In planning and performing our audit of the financial statements of Cachuma Conservation Release Board (“CCRB”) for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered CCRB’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCRB’s internal control. Accordingly, we do not express an opinion on the effectiveness of CCRB’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

Other Matters

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report on the financial statements of the Cachuma Conservation Release Board for the year ended June 30, 2020. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

General

Policies and Procedures

Observation:

CCRB has a limited number of personnel available to perform accounting duties making a high degree of segregation of responsibilities impractical. The lack of a high degree of segregation of duties places a greater burden on management and the board to closely supervise accounting functions, review budgetary performance and financial statements.

Recommendation:

We note that management has implemented measures to mitigate, to the extent practicable, this matter.

Executive Director Employment Agreement

Observation:

CCRB retains its Executive Director as its sole employee and accordingly is party to an employment agreement stipulating, among other employment conditions, the compensation and benefits of the position. Included in the agreement is a provision for a separately defined contribution to a retirement plan to be determined by CCRB and treated as a component of the total compensation amount. During the course of the audit, management brought to our attention that resulting confusion in processing total compensation led to the Executive Director being underpaid in the 19/20 and 20/21 fiscal years. This was remedied by issuing a subsequent payment to the Executive Director and recording adjustments to the two fiscal years noted to record the unpaid liability.

Recommendation:

Management subsequently coordinated with CCRB's third party bookkeeper to review for this potential error in the future when processing payroll. We recommend management continue to be vigilant when reviewing actual and budgeted payroll amounts as they pertain to underlying employment agreements.

Accounting Updates

ASU 2016-02

In June 2020, the FASB issued and ASU (2020-05) which delays the effective date of leases for private entities to fiscal years beginning after December 15, 2021, with early implementation allowed. The new lease standard is intended to improve financial reporting about leasing transactions and will require capitalization of operating leases on the balance sheet that are currently expensed.

Industry specific implementation guidance has not yet been provided by FASB or the AICPA, but the full text of the updated standards can be found at the FASB's website. However, Nasif, Hicks, Harris & Co., LLP recommends LAF begin a process to plan for implementation of the new standards. Our office is available to assist with any questions or implementation guidance.

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP



Cachuma Conservation
Release Board

Board of Directors

City of Santa Barbara

Goleta Water District

Montecito Water District

For Agenda Of: August 5, 2021

Estimated Time : 15 minutes

Continued Item: No

If Yes, date from:

TO: Board Members

FROM: Peter Cantle, Executive Director

SUBJECT: Item RA-2: State Water Board Order and Federal Consultation Process Update

Legal Concurrence:

As to form: N/A

Recommended Actions

Consider a status and outreach update regarding the State Water Resources Control Board (Water Board) Water Rights Order and the federal Endangered Species Act Sec. 7 Consultation process underway with the U.S. Bureau of Reclamation (Reclamation) and National Marine Fisheries Service (NMFS).

Discussion

At this writing, no significant changes to the status of the two regulatory actions with which CCRB is involved have occurred since the Board's last briefing. The following contextual information previously provided has been slightly updated to remain accurate and current.

State Water Resources Control Board Water Rights Order. The Water Board approved Water Rights Order 2019-0148 (the Order) on September 17, 2019. The Order requires Reclamation, as permit holder, to: a) release additional water from Cachuma Reservoir during wetter-than-normal years; and, b) develop plans and conduct studies to assess, among other things, the feasibility of steelhead passage around Bradbury Dam, the benefits of the increased flows, other opportunities for habitat enhancement, and reduction of predatory invasive species in the watershed.

Assistance with Plans Required by the Order. At Reclamation's request, CCRB is providing technical assistance in developing multiple plans required by the Order. This assistance is generally in the field of fisheries biology, with hydrology and legal regulatory input, as needed. Assistance efforts were paused at the CCRB board's direction in July 2020 and resumed in mid-October. CCRB staff continue to meet at regular intervals with Reclamation staff in furtherance of providing technical assistance.

To date, CCRB has worked with Reclamation primarily on plans required by Terms 20 and 24, which are closely linked within the Order. Term 20 requires Reclamation to develop a plan for conducting studies ident-

ified in Term 24 “and any other studies that may be necessary to determine the measures necessary to protect the public trust resources of the Santa Ynez River and keep the steelhead fishery in the Santa Ynez River in good condition at the individual, population and community level.” CCRB assisted Reclamation in drafting the Term 20 plan, which Reclamation submitted to the Water Board for review on March 17, 2020. Reclamation has yet to receive substantive input on its Term 20 plan submittal.

Term 24 of the Order requires of Reclamation, among other things, a study plan to evaluate water quality issues that may impact steelhead in the lower Santa Ynez River. Following CCRB board review, a draft water quality study plan for the lower river was transmitted in January 2021 to Reclamation for its consideration. (Additional plans with which CCRB staff provides assistance will be presented for CCRB board review before issuance to Reclamation.) Reclamation has not submitted the water quality study plan, as the agency is seeking to clarify the Water Board’s review and response process. Per Reclamation, Water Board staff are currently focused on addressing the statewide drought, which, coupled with staffing changes within the agency for the Cachuma Project, has meant that exchange with the Water Board regarding Reclamation’s Order-related submittals and associated issues has been delayed.

Cachuma Project Section 7 Consultation Process. In November 2019, Reclamation submitted to NMFS a Biological Assessment (BA) of a proposed action that CCRB and the downstream interests helped develop. NMFS responded to this BA in February 2020 with a detailed insufficiency letter. When Reclamation didn’t respond timely with information requested by the letter, NMFS terminated consultation on the proposed action. On December 18, 2020, after working collaboratively with CCRB and the downstream interests, Reclamation submitted a revised BA to NMFS. This revised BA updates the November 2019 BA and uses the Water Rights Order 2019-0148 flow regime, with some key modifications, as its basis. The BA is also scoped to include other anticipated Reclamation actions, such as the long-term Master Service Contract and the COMB O&M contract. Reclamation tasked Stetson Engineering with producing hydrological modeling of specific scenarios in support of the revised BA. The modeling output was not ready by the submittal date; Reclamation thus submitted the BA to NMFS on December 18, 2020 without the hydrological modeling.

In early February, CCRB staff and the downstream interests met with Reclamation and Stetson for an initial review of the hydrological modeling results. Following the meeting, Reclamation committed to providing more information about the modeling output, analytical methods and assumptions prior to submittal of the modeling to NMFS. CCRB staff and the downstream interests then met with Reclamation and Stetson personnel to review and understand the inputs and assumptions used to produce the hydrological modeling supporting Reclamation’s revised BA.

On February 8, 2021, NMFS issued Reclamation an insufficiency letter identifying information NMFS needs to initiate formal consultation on the revised BA and its proposed action. NMFS required Reclamation to respond to the letter within 45 days. CCRB and the downstream interests assisted Reclamation in its March 18 response that addressed multiple issues identified in the letter. In addition to this March insufficiency letter response, Reclamation submitted to NMFS on April 30 an updated version of the BA addressing insufficiency issues and incorporating the hydrological modeling discussed above. CCRB staff assisted Reclamation with updating the BA prior to its submittal. Reclamation then met on June 30 with NMFS to initiate discussion of the revised BA and the proposed action prior to entering Section 7 formal consultation. CCRB has offered, and Reclamation has accepted, technical assistance in responding to the NMFS input. At this writing, Reclamation continues to evaluate the NMFS input and plan how to address the insufficiency issues NMFS has identified.

Staff will continue to update the board with new information as it becomes available on these consultation and Water Rights Order matters.

Fiscal Analysis:

CCRB's approved FY21-22 budget provides for staff and consulting support related to both the Water Board Order and the federal Consultation process. Costs incurred to date in the new fiscal year beginning July 1 have been minimal.

Attachments:

None.

Report authored by:

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