

FOX CANYON GROUNDWATER MANAGEMENT AGENCY

Audited Financial Statements

June 30, 2020 and 2019



**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
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JUNE 30, 2020 AND 2019**

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INTRODUCTORY SECTION

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
OFFICIAL ROSTER
JUNE 30, 2020**

Name	Title	Elected/Appointed	Current Term
Eugene F. West	Chair	Appointed	02/2019 - 02/2021
David Borchard	Vice Chair	Appointed	02/2020 - 02/2022
Steve Bennett	Director	Appointed	02/2019 - 02/2021
Michael Mobley	Director	Appointed	02/2019 - 02/2021
Tony Trembley	Director	Appointed	02/2020 - 02/2022



LETTER OF TRANSMITTAL

Board of Directors
Fox Canyon Groundwater Management Agency

Introduction

It is our pleasure to submit the Annual Financial Report for the Fox Canyon Groundwater Management Agency for the fiscal years ended June 30, 2020 and 2019, following guidelines set forth by the Governmental Accounting Standards Board. Agency staff prepared this financial report. The Agency is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the Agency's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the Agency's organization and current Agency activities, and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the Agency's basic financial statements, and the Agency's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The Fox Canyon Groundwater Management Agency was created by the State of California on September 13, 1982, under Assembly Bill No. 2995 Chapter 1023. The Agency was created to manage the groundwater in overdraft and potentially seawater intruded areas in Ventura County. The prime agency objective is to preserve groundwater resources for agricultural, municipal, and industrial uses in the best interest of the public and for the common benefit of all water users.

The Agency is governed by a five-member Board of Directors. The Agency has no employees but contracts with the County of Ventura for staff services to provide professional and technical expertise, legal, administrative and fiscal services needed to run the day-to-day operations of the organization. The Agency's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
LETTER OF TRANSMITTAL
JUNE 30, 2020 AND 2019

Agency Services

The Fox Canyon Groundwater Management Agency (Agency), established by the State Legislature in 1982, is charged with the preservation and management of groundwater resources within the areas or lands overlying the Fox Canyon aquifer for the common benefit of the public and all agricultural, domestic, and municipal and industrial users

Internal Control Structure

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Agency are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management.

Budgetary Control

The Agency Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's enterprise operations and capital projects. The budget and reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, Agency ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity, and yield. All cash and investments of the Agency are held in the investment pool managed by the Ventura County Treasurer.

Agency Revenues - Extraction Charges and Surcharges

The primary revenue source for the Agency is extraction charges that are assessed at \$6.00 per acre-foot, and a sustainability fee assessed at \$6.50 per acre-foot against all well owners within the geographic boundaries of the Agency. In addition, the Agency places a surcharge for extraction of groundwater in excess of the approved allocation when that extraction will adversely affect achieving safe yield of any basin within the Agency. Surcharges are assessed using a tiered structure with a base of \$1,461 for 25 acre-feet or less; an additional \$250 per acre-foot over 25 but less than 100 acre-feet and an additional \$500 per acre-foot over 100 acre-feet.

Surcharges are not used to support Agency operations but rather are kept in an account designated by the Board to be used for supplement water purchases or other expenses that increase the water resources within the Agency. Expenses against surcharges must be approved by the Board.

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
LETTER OF TRANSMITTAL
JUNE 30, 2020 AND 2019

Audit and Financial Reporting

State Law requires the Agency to obtain a biennial audit of its financial statements by an independent certified public accountant. The accounting firm of Harshwal & Company, LLP has conducted an audit of the Agency's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the Agency. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of Fox Canyon Groundwater Management Agency's fiscal policies.

Respectfully submitted,

Jeff Pratt, P.E.,
Executive Officer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fox Canyon Groundwater Management Agency
Ventura, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Fox Canyon Groundwater Management Agency, (the Agency), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the 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 District's. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section on pages 1 through 4, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 06, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Harshmal & Company LLP

Oakland, California
September 06, 2021

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Fox Canyon Groundwater Management Agency (the "Agency") provide an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2020 and 2019. We encourage readers to consider the information presented herein conjunction with the transmittal letter in the Introductory section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

In fiscal year 2020, the Agency's net position decreased by 53.48% or \$3,405,410 to \$2,962,014. In comparison, the Agency's net position increased by 5.38% or \$325,336 to \$6,367,424 during fiscal year 2019.

In fiscal year 2020, the Agency's total operating revenues decreased by 7.72% or \$246,286 to \$2,944,634. In fiscal year 2019, the Agency's total operating revenues increased by 23.79% or \$613,261 to \$3,190,920.

In fiscal year 2020, the Agency's total non-operating revenues decreased by 67.10% or \$92,188 to \$45,210. In fiscal year 2019, the Agency's total non-operating revenues decreased by 52.65% or \$(47,387) to \$137,398.

In fiscal year 2020, the Agency's total expenses increased by 112.96% or \$3,392,272 to \$6,395,254. In fiscal year 2019, the Agency's total expenses increased by 9.15% or \$251,735 to \$3,002,982.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets), the obligations to creditors (liabilities). They also provide the basis for computing a rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency. All of the years' revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows, which provide information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities, and providing answers to such questions as where cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's net position and changes in them. One can think of the Agency's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Revenues Extraction Charges

The primary revenue source for the Agency is the extraction charges that are assessed at \$6.00 per acre-foot against all well owners within the geographic boundaries of the Agency. In addition, the District places a surcharge for extraction in excess of the baseline allowance. The intent of the surcharge is to discourage extraction of groundwater in excess of the approved allocation when that extraction adversely affects achieving a safe yield of any basin within the Agency. Surcharges are assessed using a tiered structure with a base of \$1,461 for 25 acre-feet or less; an additional \$250 per acre-foot over 25 but less than 100 acre-feet and an additional \$500 per acre-foot over 100 acre-feet. Surcharges are not used to support Agency operations but rather are kept in an account designated by the Board to be used for supplement water purchases or other expenses that increase the water resources within the Agency. Expenses against surcharges must be approved by the Board.

The following summarizes extraction and surcharge revenues for the years ended June 30, 2020, 2019 and 2018:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>		<u>June 30, 2018</u>
Fees per acre foot	\$ 6	\$	6	\$	6
Acre feet pumped	118,472		114,115		133,038
Extraction Revenue	\$ 677,486	\$	744,548	\$	804,028
Surcharge Revenue	\$ 1,286,778	\$	680,562	\$	950,398

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 27.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Net position

Condensed Statements of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>June 30, 2018</u>	<u>Change</u>
Assets:					
Current assets	\$ 3,312,404	\$ 6,556,384	\$ (3,243,980)	\$ 6,107,390	\$ 448,994
Capital assets, net	<u>4,207</u>	<u>13,480</u>	<u>(9,273)</u>	<u>47,614</u>	<u>(34,134)</u>
Total assets	<u>3,316,611</u>	<u>6,569,864</u>	<u>(3,253,253)</u>	<u>6,155,004</u>	<u>414,860</u>
Liabilities:					
Current liabilities	<u>354,597</u>	<u>202,440</u>	<u>152,157</u>	<u>112,916</u>	<u>89,524</u>
Total liabilities	<u>354,597</u>	<u>202,440</u>	<u>152,157</u>	<u>112,916</u>	<u>89,524</u>
Net position:					
Net investment in capital assets	4,207	13,480	(9,273)	47,614	(34,134)
Unrestricted	<u>2,957,807</u>	<u>6,353,944</u>	<u>(3,396,137)</u>	<u>5,994,474</u>	<u>359,470</u>
Total net position	<u>\$ 2,962,014</u>	<u>\$ 6,367,424</u>	<u>\$ (3,405,410)</u>	<u>\$ 6,042,088</u>	<u>\$ 325,336</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by \$2,962,014 as of June 30, 2020 and \$6,367,424 as of June 30, 2019.

By far the largest portion of the Agency's net position 99.86% as of June 30, 2020 and 99.79% as of June 30, 2019) reflects the Agency's unrestricted component (net amount of the assets and liabilities), that are not included in the determination of the net investment in capital assets or restricted component of net position. The Agency uses these unrestricted assets to provide funding for future Agency operations.

At the end of fiscal year 2020 and 2019, the Agency showed a positive balance in its unrestricted net position of \$2,957,807 and \$6,353,944, respectively.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

Statements of Revenues, Expenses, and Changes in Net position

	June 30, 2020	June 30, 2019	Change	June 30, 2018	Change
Revenues:					
Operating revenues	\$ 2,944,634	\$ 3,190,920	\$ (246,286)	\$ 2,577,659	\$ 613,261
Non-operating revenues	<u>45,210</u>	<u>137,398</u>	<u>(92,188)</u>	<u>90,011</u>	<u>47,387</u>
Total revenues	<u>2,989,844</u>	<u>3,328,318</u>	<u>(338,474)</u>	<u>2,667,670</u>	<u>660,648</u>
Expenses:					
Operating expenses	6,385,981	2,968,848	3,417,133	2,699,339	269,509
Depreciation	<u>9,273</u>	<u>34,134</u>	<u>(24,861)</u>	<u>51,908</u>	<u>(17,774)</u>
Total expenses	<u>6,395,254</u>	<u>3,002,982</u>	<u>3,392,272</u>	<u>2,751,247</u>	<u>251,735</u>
Net position before capital contributions	<u>(3,405,410)</u>	<u>325,336</u>	<u>(3,730,746)</u>	<u>(83,577)</u>	<u>408,913</u>
Change in net position	(3,405,410)	325,336	(3,730,746)	(83,577)	408,913
Net position, beginning of year	<u>6,367,424</u>	<u>6,042,088</u>	<u>325,336</u>	<u>6,125,665</u>	<u>(83,577)</u>
Net position, end of year	<u>\$ 2,962,014</u>	<u>\$ 6,367,424</u>	<u>\$ (3,405,410)</u>	<u>\$ 6,042,088</u>	<u>\$ 325,336</u>

The statements of revenues, expenses, and changes in net position show how the Agency's net position changed during the fiscal year.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2020, the Agency's net position decreased by 53.48% or \$3,405,410 to \$2,962,014, as a result of ongoing operations. In fiscal year 2019, the Agency's net position increased by 5.38% or \$325,336 to \$6,367,424 as a result of ongoing operations.

In fiscal year 2020, the Agency's total operating revenues decreased by 7.72% or \$246,286, primarily due to a decrease of \$238,133 in extraction charges revenue and a decrease of \$8,153 in other income. In 2019, total operating revenues increased by 23.79% or \$613,261, primarily due to an increase of \$665,969 in extraction charges revenue which was offset by a decrease of \$52,708 in other income.

In fiscal year 2020, the Agency's total non-operating revenues decreased by 67.10% or \$92,188, primarily due to a decrease in interest earnings. In fiscal year 2019, the Agency's total non-operating revenues increased by 52.65% or \$47,387, primarily due to an increase in interest earnings.

In fiscal year 2020, the Agency's total expenses increased by 112.96% or \$3,392,272, primarily due to \$203,894 increase in Ventura County Public Works Agency charges, \$205,524 increase in professional services, \$6,857 increase in office expenses, \$220 increase in insurance, \$6,607 increase in miscellaneous expense, \$2,750 increase in transportation and travel, and \$3,000,000 increase in utilities expense; which were offset by a \$5,256 decrease in communications, \$2,414 decrease in maintenance buildings & improvements, \$31 decrease in publication and legal notices, \$1,018 decrease in special department expenses, and \$24,861 decrease in depreciation expense.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

In fiscal year 2019, the Agency's total expenses increased by 9.15% or \$251,735, primarily due to \$94,018 increase in Ventura County Public Works Agency charges, \$174,350 increase in professional services, \$8,736 increase in communications, \$13,431 increase in maintenance buildings & improvements, \$2,420 increase in publication and legal notices, \$2,050 increase in special department expenses, and \$18 increase in transportation and travel; which were offset by a \$20,582 decrease in office expenses, \$331 decrease in insurance, \$4,601 decrease in miscellaneous expense, and \$17,774 decrease in depreciation expense.

Capital Asset Administration

Changes in capital assets for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Capital assets:				
Depreciable assets	\$ 542,915	\$ -	\$ -	\$ 542,915
Accumulated depreciation	<u>(529,435)</u>	<u>(9,273)</u>	<u>-</u>	<u>(538,708)</u>
Total capital assets, net	<u>\$ 13,480</u>	<u>\$ (9,273)</u>	<u>\$ -</u>	<u>\$ 4,207</u>

Changes in capital assets for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Capital assets:				
Depreciable assets	\$ 542,915	\$ -	\$ -	\$ 542,915
Accumulated depreciation	<u>(495,301)</u>	<u>(34,134)</u>	<u>-</u>	<u>(529,435)</u>
Total capital assets, net	<u>\$ 47,614</u>	<u>\$ (34,134)</u>	<u>\$ -</u>	<u>\$ 13,480</u>

At the end of fiscal year 2020 and 2019, the Agency's investment in capital assets amounted to \$4,207 and \$13,480 (net of accumulated depreciation), respectively. This investment in capital assets includes equipment and software.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Fox Canyon Groundwater Management Agency at 800 South Victoria Avenue, Ventura, CA 93009-1600.

BASIC FINANCIAL STATEMENTS

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	<u>FY 2020</u>	<u>FY 2019</u>
ASSETS		
Current assets		
Cash and investments	\$ 2,390,359	\$ 5,185,899
Due from County of Ventura	5,870	15,242
Accounts receivable	907,413	1,309,517
Interest receivable	<u>8,762</u>	<u>45,726</u>
Total current assets	<u>3,312,404</u>	<u>6,556,384</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>4,207</u>	<u>13,480</u>
Total noncurrent assets	<u>4,207</u>	<u>13,480</u>
Total assets	<u>3,316,611</u>	<u>6,569,864</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	352,498	179,180
Due to County of Ventura	<u>2,099</u>	<u>23,260</u>
Total current liabilities	<u>354,597</u>	<u>202,440</u>
Total liabilities	<u>354,597</u>	<u>202,440</u>
NET POSITION		
Net investment in capital assets	4,207	13,480
Unrestricted	<u>2,957,807</u>	<u>6,353,944</u>
Total net position	<u>2,962,014</u>	<u>6,367,424</u>
Total liabilities, and net position	<u>\$ 3,316,611</u>	<u>\$ 6,569,864</u>

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

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>FY 2020</u>	<u>FY 2019</u>
<i>OPERATING REVENUES</i>		
Extraction charges and surcharges	\$ 2,940,287	\$ 3,178,420
Other income	<u>4,347</u>	<u>12,500</u>
<i>Total operating revenues</i>	<u>2,944,634</u>	<u>3,190,920</u>
<i>OPERATING EXPENSES</i>		
Ventura County public works charges	1,483,013	1,279,119
Professional services	1,850,290	1,644,766
Office expenses	14,498	7,641
Insurance	3,733	3,513
Miscellaneous expenses	13,761	7,154
Communications	3,480	8,736
Maintenance buildings & improvements	11,017	13,431
Publication and legal notices	2,389	2,420
Special department expenses	1,032	2,050
Transportation and travel	2,768	18
Utilities	<u>3,000,000</u>	<u>-</u>
<i>Total operating expenses</i>	<u>6,385,981</u>	<u>2,968,848</u>
Operating income (loss) before depreciation	(3,441,347)	222,072
Depreciation	<u>9,273</u>	<u>34,134</u>
Operating income (loss)	<u>(3,450,620)</u>	<u>187,938</u>
<i>NONOPERATING REVENUES</i>		
Interest income	<u>45,210</u>	<u>137,398</u>
<i>Total nonoperating revenues</i>	<u>45,210</u>	<u>137,398</u>
Change in net position	(3,405,410)	325,336
Net position - beginning	<u>6,367,424</u>	<u>6,042,088</u>
Net position - ending	<u>\$ 2,962,014</u>	<u>\$ 6,367,424</u>

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

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>FY 2020</u>	<u>FY 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from extraction fees	\$ 3,356,110	\$ 2,513,184
Cash paid to vendors and suppliers for materials and services	<u>(6,233,824)</u>	<u>(2,879,324)</u>
<i>Net cash provided (used) by operating activities</i>	<u>(2,877,714)</u>	<u>(366,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earnings	<u>82,174</u>	<u>124,148</u>
<i>Net cash provided (used) by investing activities</i>	<u>82,174</u>	<u>124,148</u>
Change in cash and cash equivalents	(2,795,540)	(241,992)
Cash and cash equivalents - beginning	<u>5,185,899</u>	<u>5,427,891</u>
Cash and cash equivalents - ending	<u><u>\$ 2,390,359</u></u>	<u><u>\$ 5,185,899</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (3,450,620)	\$ 187,938
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	9,273	34,134
Change in operating assets and liabilities:		
Accounts receivable	402,104	(664,174)
Due from County of Ventura	9,372	(13,562)
Accounts payable and accrued expenses	173,318	72,814
Due to County of Ventura	<u>(21,161)</u>	<u>16,710</u>
Total adjustments	<u>572,906</u>	<u>(554,078)</u>
<i>Net cash provided (used) by operating activities</i>	<u><u>\$ (2,877,714)</u></u>	<u><u>\$ (366,140)</u></u>

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

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

The Fox Canyon Groundwater Management Agency (the Agency) was formed on September 13, 1982, for the preservation of groundwater resources within the territory of the Agency for agricultural, municipal, and industrial uses. The Agency is governed by a five-member Board of Directors. The Board of Directors are appointed by their respective organizations or groups from the United Water Conservation District, which is comprised of seven water District's within the Agency.

B. Basis of Accounting and Measurement Focus

The Agency 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 Agency is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water extraction fees), 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 and expenses, such as extraction fees and purchase of professional services, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

In June 2015, the GASB issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 - *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*.

In March 2016, the GASB issued Statement No. 81 - *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

In March 2017, the GASB issued Statement No. 85 - *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

In May 2017, the GASB issued Statement No. 86 - *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Disclosures required by GASB Statement No. 40 - *Deposit and Investment Risk Disclosures* are provided in the County's Comprehensive Annual Financial Report. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are stated at fair value. Fair value is determined based on values provided by the County's investment advisory firm. The fair value of Fox Canyon Groundwater Management Agency's position in the pool approximates the value of the pool shares. Realized and unrealized gains and losses are included in investment earnings. However, County investments are primarily held to maturity and only actual earnings are distributed to pool participants. Therefore, the unrealized fair value gain or loss is not available for allocation except if actually realized.

D. Assets, Liabilities, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

2. Cash and Cash Equivalents

Substantially all of the Agency's cash is invested in interest-bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

The Agency extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Agency uses the allowance method for the reservation and write-off of those accounts.

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000 for equipment and purchased software. Internally-generated software threshold is set at \$50,000. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Depreciable Assets</u>	<u>Estimated useful lives</u>
Equipment	2 to 30 years
Purchased Software	2 to 10 years
Internally-Generated Software	2 to 10 years

6. Net Position

The Agency follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- Net investment in capital assets component of net position - this component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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

Net Position Flow Assumption

When an Agency fund outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

7. Extraction Charges and Surcharge Fees

Extraction charges are recognized in the period the water is extracted based on reports received from well operators. The Agency considers unreported extraction charge revenue to be immeasurable and does not recognize it until it becomes measurable in the form of a report from the operator. The Agency imposes a \$500 civil penalty for operators who fail to report timely.

Surcharge fees are assessed annually as of December 31 and payable by February 1, revenue is recognized in the period when received, as amounts are not considered reasonably estimable and are therefore not considered susceptible to accrual.

8. Budgetary Policies

The Agency adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2020 and 2019, are classified in the accompanying financial statements as follows:

	FY 2020	FY 2019
Cash and investments	\$ <u>2,390,359</u>	\$ <u>5,185,899</u>
Total cash and investments	\$ <u><u>2,390,359</u></u>	\$ <u><u>5,185,899</u></u>

As Fox Canyon Groundwater Management Agency's Joint Powers Agreement designates its treasurer to be the Treasurer of Ventura County (a member agency), pursuant to Section 6505.5 of the California Government Code. Therefore, all cash and investments of Fox Canyon Groundwater Management Agency as of June 30, 2020 and 2019 are held in the investment pool managed by the Ventura County Treasurer.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2. CASH AND INVESTMENTS - CONT'D

As provided for by California Government Code Section 53635, the cash balances are invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The County Treasurer invests the Agency’s funds in accordance with State statutes and the County’s Investment Policy Statement (IPS), as approved by the Treasury Oversight Committee and the County Board of Supervisors.

The policy, drafted in accordance with state law, emphasizes safety, liquidity and yield and follows the “prudent investor rule.” Investments permitted by the IPS include obligations of the U.S. Treasury, agencies and instrumentalities, or commercial paper rated A-1 or better by Standard and Poor’s Ratings Services (S & P) or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, corporate notes, negotiable certificates of deposit, obligations of the State of California and obligations of any local agency within California. Investment earnings are allocated based on average daily balance in the Treasurer’s pool for the calendar quarter. The earnings are distributed to participants twice per quarter as cash is received, and accrued at year-end. The Investment Pool includes both voluntary and involuntary participants for whom cash and investments are held by the County Treasurer. The total percentage share of the Investment Pool related to involuntary participants is estimated at 0.33%. All investments are reported at fair value, which is either the market price or amortized cost.

Fox Canyon Groundwater Management Agency’s total cash and investments of \$2,390,359 and \$5,185,899 at June 30, 2020 and 2019 respectively, consist of a ratable portion of the total investment pool of the County of Ventura.

NOTE 3. ACCOUNTS RECEIVABLE

The accounts receivable at June 30, 2020 and 2019 consists of the following:

	FY 2020	FY 2019
Accounts receivable - extraction fees	\$ <u>907,413</u>	\$ <u>1,309,517</u>
Total accounts receivable	\$ <u><u>907,413</u></u>	\$ <u><u>1,309,517</u></u>

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Balance July</u> <u>01, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets being depreciated:				
Equipment	\$ 185,063	\$ -	\$ -	\$ 185,063
Software	<u>357,852</u>	<u>-</u>	<u>-</u>	<u>357,852</u>
Total assets being depreciated	<u>542,915</u>	<u>-</u>	<u>-</u>	<u>542,915</u>
Less: Accumulated depreciation:				
Equipment	(182,141)	(786)	-	(182,927)
Software	<u>(347,294)</u>	<u>(8,487)</u>	<u>-</u>	<u>(355,781)</u>
Total accumulated depreciation	<u>(529,435)</u>	<u>(9,273)</u>	<u>-</u>	<u>(538,708)</u>
Total capital assets being depreciated, net	<u>13,480</u>	<u>(9,273)</u>	<u>-</u>	<u>4,207</u>
Capital assets, net	<u>\$ 13,480</u>	<u>\$ (9,273)</u>	<u>\$ -</u>	<u>\$ 4,207</u>

Depreciation expense of \$9,273 was charged to operations during fiscal year 2020.

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Balance July</u> <u>01, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets being depreciated:				
Equipment	\$ 185,063	\$ -	\$ -	\$ 185,063
Software	<u>357,852</u>	<u>-</u>	<u>-</u>	<u>357,852</u>
Total assets being depreciated	<u>542,915</u>	<u>-</u>	<u>-</u>	<u>542,915</u>
Less: Accumulated depreciation:				
Equipment	(181,355)	(786)	-	(182,141)
Software	<u>(313,946)</u>	<u>(33,348)</u>	<u>-</u>	<u>(347,294)</u>
Total accumulated depreciation	<u>(495,301)</u>	<u>(34,134)</u>	<u>-</u>	<u>(529,435)</u>
Total capital assets being depreciated, net	<u>47,614</u>	<u>(34,134)</u>	<u>-</u>	<u>13,480</u>
Capital assets, net	<u>\$ 47,614</u>	<u>\$ (34,134)</u>	<u>\$ -</u>	<u>\$ 13,480</u>

Depreciation expense of \$34,134 was charged to operations during fiscal year 2019.

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5. RISK MANAGEMENT

The Agency is primarily exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. To protect itself, the Agency contract with the County of Ventura for legal services and maintains an errors and omissions policy of \$1,000,000 through the County of Ventura.

NOTE 6. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, which has effective dates that may impact future financial presentations.

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 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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.

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

**NOTE 6. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED,
NOT YET EFFECTIVE - CONT'D**

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

Governmental Accounting Standards Board Statement No. 90

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

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE - CONT'D

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 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

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.

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

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement is intended to provide relief to governments in light of the COVID-19 pandemic. The guidance postpones by one year the effective dates of certain provisions in the following pronouncements:

- GASB 84, *Fiduciary Activities*
- GASB 89, *Accounting for Interest Cost incurred Before the End of a Construction Period*
- GASB 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*
- GASB 91, *Conduit Debt Obligations*

The Statement postpones the effective dates of the following pronouncements by 18 months:

- GASB 87, *Leases*

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Agency has the following major customers: Houweling Nurseries Oxnard Inc., United Water Conversation District, City of Ventura, Boskovich Farms Inc., Pleasant Valley County Water District, Leavens Ranches LLC, etc.

NOTE 8. RELATED PARTY TRANSACTIONS

The Agency contracts with the County of Ventura for professional specialty services. The employees of Ventura County provide professional, technical, financial, billing, administrative, clerical, and computer information services to the Agency. The Agency compensates the County of Ventura for time spent by County employees on the Agency's business and for the services provided to the Agency by the County. The Agency's total expense paid to the County of Ventura for Public Works Agency charges other than administrative services for the years ended June 30, 2020 and 2019 and the amounts due to the County of Ventura as June 30, 2020 and 2019 are identified in the Ventura County Public Works Agency Charges expense line.

The Agency recognized revenue of \$228,180 in 2020 from the United Water Conservation District for groundwater extraction fees. The Agency also recognized revenue of \$54,348 in 2020, from other entities sharing a Board member with the Agency including City of Camarillo, and Camrosa Water District.

Receivables from United Water Conservation District and other entities sharing a board member with the Agency are displayed separately on the Statement of Net Position.

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2020 through September 06, 2021, the date at which the financial statements were available to be issued and have determined that no adjustments were necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Directors
Fox Canyon Groundwater Management Agency
Ventura, California

We have audited, in accordance with the 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, the financial statements of Fox Canyon Groundwater Management Agency, (the Agency) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 06, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
September 06, 2021

FOX CANYON GROUNDWATER MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weakness(es) identified?	No
▪ Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
▪ Noncompliance material to financial statements noted?	No

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings related to the financial statements.

**FOX CANYON GROUNDWATER MANAGEMENT AGENCY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

The Agency had no finding noted in prior year that require a status.