



Fox Canyon Groundwater Management Agency
Audited Financial Statements
As of and for the Years Ended June 30, 2022 and 2021
with Independent Auditor's Report

Fox Canyon Groundwater Management Agency
Audited Financial Statements
As of and for the Years Ended June 30, 2022 and 2021
with Independent Auditor's Report

**Fox Canyon Groundwater Management Agency
Table of Contents**

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Official Roster	4
FINANCIAL SECTION	
Independent Auditor's Report	5
Management's Discussion and Analysis (Unaudited)	8
Basic Financial Statements	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15
Notes to the Basic Financial Statements	16
REPORT ON INTERNALS CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	25
Schedule of Findings and Responses	27

INTRODUCTORY SECTION

FOX CANYON GROUNDWATER MANAGEMENT AGENCY

A STATE OF CALIFORNIA WATER AGENCY



BOARD OF DIRECTORS

Eugene F. West, Chair, Director, Camrosa Water District
Kelly Long, Vice Chair, Supervisor, County of Ventura
David Borchard, Farmer, Agricultural Representative
Lynn Maulhardt, Director, United Water Conservation District
Tony Trembley, Mayor, City of Camarillo

INTERIM EXECUTIVE OFFICER

Arne Anselm

Board of Directors
Fox Canyon Groundwater Management Agency
800 South Victoria Avenue
Ventura, CA 93009-1600

SUBJECT: Letter of Transmittal, Annual Financial Report

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, 2022, and 2021, 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.

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 \$14.00 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 \$1,549 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.

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 Vasquez & 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 the planning and implementation of Fox Canyon Groundwater Management Agency's fiscal policies.

Respectfully submitted,



Arne Anselm
Interim Executive Officer

**Fox Canyon Groundwater Management Agency
Official Roster
June 30, 2022**

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Eugene F. West	Chair	Appointed	02/2021 - 02/2023
David Borchard	Vice Chair	Appointed	02/2022 - 02/2024
Bert Perello	Director	Appointed	02/2022 - 02/2024
Lynn Maulhardt	Director	Appointed	02/2022 - 02/2024
Kelly Long	Director	Appointed	02/2021 - 02/2023

FINANCIAL SECTION



Independent Auditor's Report

**To the Board of Directors
Fox Canyon Groundwater Management Agency**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fox Canyon Groundwater Management Agency (the Agency), which comprise the statements of net position as of June 30, 2022 and 2021, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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



Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 12, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information and we do not express an opinion on any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2024 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.

Glendale, California
August 14, 2024

**Fox Canyon Groundwater Management Agency
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years ended June 30, 2022 and 2021**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Fox Canyon Groundwater Management Agency (the "Agency") provides an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented herein in 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 2022, the Agency's net position increased by 8.63% or \$281,880 to \$3,548,355. In comparison, the Agency's net position increased by 10.28% or \$304,461 to \$3,266,475 during fiscal year 2021.
- In fiscal year 2022, the Agency's total operating revenues increased by 5.35% or \$227,707 to \$4,485,358. In fiscal year 2021, the Agency's total operating revenues increased by 44.59% or \$1,313,017 to \$4,257,651.
- In fiscal year 2022, the Agency's total non-operating revenues decreased by 2883% or (\$44,254) to (\$45,789). In fiscal year 2021, the Agency's total non-operating revenues decreased by 103.40% or (\$46,745) to (\$1,535).
- In fiscal year 2022, the Agency's total expenses increased by 5.21% or \$206,034 to \$4,157,689. In fiscal year 2021, the Agency's total expenses decreased by 38.21% or (\$2,443,599) to \$3,951,655.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows provide information about the activities and performance of the Agency.

The Statements of Net Position includes all of the Agency's investments in resources (assets) and deferred outflows of resources, the obligations to creditors (liabilities) and deferred inflows of resources. 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 Statements 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.

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 16 through 24.

**Fox Canyon Groundwater Management Agency
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years ended June 30, 2022 and 2021**

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 Statements of Net Position and the Statements 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 of resources, and liabilities and deferred inflows of resources), 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 Agency 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 \$1,549 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 the Agency's operations but rather are kept in an account designated by the Board to supplement water purchases or other expenses that increase the water resources within the Agency. Disbursements from surcharges must be approved by the Board.

The following summarizes extraction and surcharge revenues for the years ended June 30, 2022, 2021 and 2020:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Fees per acre foot	\$ 6	\$ 6	\$ 6	\$ 6
Acre feet pumped	107,757	105,575	118,472	114,115
Extraction revenue	\$ 638,416	\$ 775,988	\$ 677,486	\$ 744,548
Surcharge revenue	\$ 1,361,456	\$ 628,410	\$ 1,286,778	\$ 680,562

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 16 through 24.

**Fox Canyon Groundwater Management Agency
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years ended June 30, 2022 and 2021**

Statements of Net Position

<u>Statements of Net Position</u>					
	June 30, 2022	June 30, 2021	Change	June 30, 2020	Change
Assets:					
Current assets	\$ 4,333,498	\$ 4,068,688	\$ 264,810	\$ 3,312,404	\$ 756,284
Capital assets, net	<u>563</u>	<u>1,349</u>	<u>(786)</u>	<u>4,207</u>	<u>(2,858)</u>
Total assets	<u>4,334,061</u>	<u>4,070,037</u>	<u>264,024</u>	<u>3,316,611</u>	<u>753,426</u>
Liabilities:					
Current liabilities	<u>785,706</u>	<u>803,562</u>	<u>(17,856)</u>	<u>354,597</u>	<u>448,965</u>
Total liabilities	<u>785,706</u>	<u>803,562</u>	<u>(17,856)</u>	<u>354,597</u>	<u>448,965</u>
Net position:					
Net investment in capital assets	563	1,349	(786)	4,207	(2,858)
Unrestricted	<u>3,547,792</u>	<u>3,265,126</u>	<u>282,666</u>	<u>2,957,807</u>	<u>307,319</u>
Total net position	<u>\$ 3,548,355</u>	<u>\$ 3,266,475</u>	<u>\$ 281,880</u>	<u>\$ 2,962,014</u>	<u>\$ 304,461</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 \$3,548,355 as of June 30, 2022 and \$3,266,475 as of June 30, 2021.

By far the largest portion of the Agency's net position 99.98% as of June 30, 2022 and 99.96% as of June 30, 2021 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 2022 and 2021, the Agency showed a positive balance in its unrestricted net position of \$3,547,792 and \$3,265,126, respectively.

**Fox Canyon Groundwater Management Agency
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years ended June 30, 2022 and 2021**

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30		Change	Year Ended	
	2022	2021		2020	Change
Revenues:					
Operating revenues	\$ 4,485,358	\$ 4,257,651	\$ 227,707	\$ 2,944,634	\$ 1,313,017
Non-operating revenues	(45,789)	(1,535)	(44,254)	45,210	(46,745)
Total revenues	<u>4,439,569</u>	<u>4,256,116</u>	<u>183,453</u>	<u>2,989,844</u>	<u>1,266,272</u>
Expenses:					
Operating expenses	4,156,903	3,948,797	208,106	6,385,981	(2,437,184)
Depreciation	786	2,858	(2,072)	9,273	(6,415)
Total expenses	<u>4,157,689</u>	<u>3,951,655</u>	<u>206,034</u>	<u>6,395,254</u>	<u>(2,443,599)</u>
Change in net position	281,880	304,461	(22,581)	(3,405,410)	3,709,871
Net position, beginning of year	<u>3,266,475</u>	<u>2,962,014</u>	<u>304,461</u>	<u>6,367,424</u>	<u>(3,405,410)</u>
Net position, end of year	<u>\$ 3,548,355</u>	<u>\$ 3,266,475</u>	<u>\$ 281,880</u>	<u>\$ 2,962,014</u>	<u>\$ 304,461</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 2022, the Agency's net position increased by 8.63% or \$281,880 to \$3,548,355 mainly due to increase of Sustainability Fee and implementation of Reserve Fee. In fiscal year 2021, the Agency's net position increased by 10.28% or \$304,461 to \$3,266,475 as a result of ongoing operations.

In fiscal year 2022, the Agency's total operating revenues increased by 5.35% or \$227,707, primarily due to the increase of \$228,702 in extraction charges revenue which was offset by a decrease of \$995 in other income. In 2021, total operating revenues increased by 44.59% or \$1,313,017, primarily due to an increase of \$1,316,369 in extraction charges revenue which was offset by a decrease of \$3,352 in other income.

In fiscal year 2022, the Agency's total non-operating revenues decreased by 2883% or (\$44,254), primarily due to a loss in fair value change in its investments. In fiscal year 2021, the Agency's total non-operating revenues decreased by 103.40% or (\$46,745), primarily due to a decrease in interest earnings.

In fiscal year 2022, the Agency's total expenses increased by 5.21% or \$206,034, primarily due to \$362,928 increase in legal and professional services, \$32,456 increase in office expenses, \$2,306 increase in maintenance buildings and improvements, \$1,169 increase in special department expenses; which were offset by a \$4,583 decrease in Ventura County public works charges, \$2,874 decrease in publication and legal notices, \$183,350 decrease in miscellaneous expenses and \$2,072 decrease in depreciation expense.

**Fox Canyon Groundwater Management Agency
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years ended June 30, 2022 and 2021**

In fiscal year 2021, the Agency's total expenses decreased by 38.21% or \$2,443,599, primarily due to \$3,000,000 decrease in utilities, \$8,044 decrease in office expenses, \$2,449 decrease in maintenance buildings & improvements, \$3,480 decrease in communication expense, \$2,768 decrease in transportation and travel, \$6,415 decrease in depreciation expense; which were offset by a \$78,496 increase in Ventura County public works charges, \$326,952 increase in professional fees, \$243 increase in special department expenses, \$1,687 increase in publication and legal notices, and \$172,159 increase in miscellaneous expenses.

Capital Asset Administration

Changes in capital assets for 2022 were as follows:

	<u>June 30, 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2022</u>
Capital assets:				
Depreciable assets	\$ 542,915	\$ -	\$ -	\$ 542,915
Accumulated depreciation	(541,566)	(786)	-	(542,352)
Total capital assets, net	<u>\$ 1,349</u>	<u>\$ (786)</u>	<u>\$ -</u>	<u>\$ 563</u>

Changes in capital assets for 2021 were as follows:

	<u>June 30, 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2021</u>
Capital assets:				
Depreciable assets	\$ 542,915	\$ -	\$ -	\$ 542,915
Accumulated depreciation	(538,708)	(2,858)	-	(541,566)
Total capital assets, net	<u>\$ 4,207</u>	<u>\$ (2,858)</u>	<u>\$ -</u>	<u>\$ 1,349</u>

At the end of fiscal year 2022 and 2021, the Agency's investment in capital assets amounted to \$563 and \$1,349 (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, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and investments	\$ 3,983,909	\$ 2,835,984
Due from County of Ventura	4,741	95,045
Accounts receivable	343,824	1,136,755
Interest receivable	1,024	904
Total current assets	4,333,498	4,068,688
Noncurrent assets		
Capital assets, net of accumulated depreciation	563	1,349
Total noncurrent asset	563	1,349
Total assets	\$ 4,334,061	\$ 4,070,037
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 761,850	\$ 800,636
Due to County of Ventura	23,856	2,926
Total current liabilities	785,706	803,562
Total liabilities	785,706	803,562
NET POSITION		
Net investment in capital assets	563	1,349
Unrestricted	3,547,792	3,265,126
Total net position	3,548,355	3,266,475
Total liabilities and net position	\$ 4,334,061	\$ 4,070,037

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, 2022 and 2021

	2022	2021
Operating revenues		
Extraction charges and surcharges	\$ 4,485,358	\$ 4,256,656
Other income	-	995
Total operating revenues	4,485,358	4,257,651
Operating expenses		
Ventura County public works charges	1,556,926	1,561,509
Professional services	2,540,170	2,177,242
Office expenses	38,910	6,454
Maintenance buildings and improvements	10,874	8,568
Insurance	3,796	3,753
Special department expenses	2,444	1,275
Publication and legal notices	1,202	4,076
Communications	11	-
Miscellaneous expenses	2,570	185,920
Total operating expenses	4,156,903	3,948,797
Operating income before depreciation	328,455	308,854
Depreciation	786	2,858
Operating income	327,669	305,996
Nonoperating revenues		
Interest income	12,892	12,236
Loss in fair value change	(58,681)	(13,771)
Total nonoperating revenues	(45,789)	(1,535)
Change in net position	281,880	304,461
Net position - beginning	3,266,475	2,962,014
Net position - ending	\$ 3,548,355	\$ 3,266,475

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash receipts from extraction fees	\$ 5,368,593	\$ 3,939,134
Cash paid to vendors and suppliers for materials and services	<u>(4,174,759)</u>	<u>(3,499,832)</u>
Net cash provided by operating activities	<u>1,193,834</u>	<u>439,302</u>
Cash flow from investing activity		
Investment income and interest earnings	<u>(45,909)</u>	<u>6,323</u>
Net cash (used in) provided by investing activity	<u>(45,909)</u>	<u>6,323</u>
Net increase in cash and investment	1,147,925	445,625
Cash and investment - beginning	<u>2,835,984</u>	<u>2,390,359</u>
Cash and investment - ending	<u>\$ 3,983,909</u>	<u>\$ 2,835,984</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ <u>327,669</u>	\$ <u>305,996</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	786	2,858
Change in operating assets and liabilities:		
Accounts receivable	792,931	(229,342)
Due from County of Ventura	90,304	(89,175)
Accounts payable and accrued expenses	(38,786)	448,138
Due to County of Ventura	<u>20,930</u>	<u>827</u>
Total adjustments	<u>866,165</u>	<u>133,306</u>
Net cash provided by operating activities	<u>\$ 1,193,834</u>	<u>\$ 439,302</u>

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

NOTE 1 REPORTING ENTITY

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 (7) water districts within the Agency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial Statement Presentation follows the standards the standards promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as U.S. GAAP. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting

The Agency implemented the following new standards during the fiscal year ended June 30, 2022 and 2021:

- GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The implementation of this new accounting standard has no significant impact to the Agency’s financial statements.

- GASB Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The implementation of this new accounting standard has no significant impact to the Agency’s financial statements.

- GASB Statement No. 91 – In May 2019, the Governmental Accounting Standards Board issued Statement No. 91, “Conduit Debt Obligations.” The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The implementation of this new accounting standard has no significant impact to the Agency’s financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements

The basic financial statements are comprised of the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the related notes to the financial statements.

Cash and Cash Equivalents

Substantially all 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.

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.

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. The Agency considers such factors as historical trends for collections and knowledge of financial stability of debtors to establish the allowance for doubtful accounts. Receivables are written off when management determines that the amount will not be collectible. As of June 30, 2022 and 2021, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable were deemed fully collectable.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – 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 – this component of net position consists of constraints placed on net position 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.
- Unrestricted – 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.

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.

**Fox Canyon Groundwater Management Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022 and 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments at June 30, 2022 and 2021, are classified in the accompanying financial statements as follows:

	2022	2021
Cash and investments	\$ <u><u>3,983,909</u></u>	\$ <u><u>2,835,984</u></u>

The 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 the Agency as of June 30, 2022 and 2021 are held in the investment pool managed by the Ventura County Treasurer.

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.

**Fox Canyon Groundwater Management Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022 and 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

The Agency’s total cash and investments of \$3,983,909 and \$2,835,984 at June 30, 2022 and 2021 respectively, consist of a ratable portion of the total investment pool of the County of Ventura.

NOTE 4 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets being depreciated:				
Equipment	\$ 185,063	\$ -	\$ -	\$ 185,063
Software	357,852	-	-	357,852
Total assets being depreciated	<u>542,915</u>	<u>-</u>	<u>-</u>	<u>542,915</u>
Less: Accumulated depreciation:				
Equipment	(183,713)	(786)	-	(184,499)
Software	(357,853)	-	-	(357,853)
Total accumulated depreciation	<u>(541,566)</u>	<u>(786)</u>	<u>-</u>	<u>(542,352)</u>
Total capital assets being depreciated, net	1,349	(786)	-	563
Capital assets, net	<u>\$ 1,349</u>	<u>\$ (786)</u>	<u>\$ -</u>	<u>\$ 563</u>

**Fox Canyon Groundwater Management Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022 and 2021**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets being depreciated:				
Equipment	\$ 185,063	\$ -	\$ -	\$ 185,063
Software	357,852	-	-	357,852
Total assets being depreciated	<u>542,915</u>	<u>-</u>	<u>-</u>	<u>542,915</u>
Less: Accumulated depreciation:				
Equipment	(182,927)	(786)	-	(183,713)
Software	(355,781)	(2,072)	-	(357,853)
Total accumulated depreciation	<u>(538,708)</u>	<u>(2,858)</u>	<u>-</u>	<u>(541,566)</u>
Total capital assets being depreciated, net	<u>4,207</u>	<u>(2,858)</u>	<u>-</u>	<u>1,349</u>
Capital assets, net	<u>\$ 4,207</u>	<u>\$ (2,858)</u>	<u>\$ -</u>	<u>\$ 1,349</u>

Depreciation expense of \$786 and \$2,858 were charged to operations during fiscal years 2022 and 2021, respectively.

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 CONCENTRATION RISK

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.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2021.

The operations and business results of the Agency could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Agency has not included any contingencies in the financial statements specific to this issue.

**Fox Canyon Groundwater Management Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022 and 2021**

NOTE 7 RELATED PARTY TRANSACTIONS

The Agency contracts with the County for professional specialty services. The employees of the County provide professional, technical, financial, billing, administrative, clerical, and computer information services to the Agency. The Agency compensates the County 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 for Public Works Agency charges other than administrative services for the years ended June 30, 2022 and 2021 are shown as the Ventura County public works agency charges in the Statement of Revenues. As of June 30, 2022 and 2021, due from County of Ventura amounted to \$4,741 and 95,045, respectively.

As of June 30, 2022 and 2021, Due to County of Ventura amounted to \$23,856 and 2,926, respectively.

The Agency recognized revenue of \$385,739 in 2022 and \$497,621 in 2021 from the United Water Conservation District for groundwater extraction fees. The Agency also recognized revenue of \$401,841 in 2022 and \$113,018 in 2021, from other entities sharing a Board member with the Agency including the 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 Statements of Net Position.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2022 and 2021 through August 14, 2024, 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.

**NOTE 9 GOVERNMENTAL ACCOUNTING STANDARDS BOARDS STATEMENT ISSUED,
NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the Agency.

GASB No. 94

In May 2020, the Governmental Accounting Standards Board issued Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 96

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *“Subscription-Based Information Technology Arrangements.”* The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 99

In May 2022, the Governmental Accounting Standards Board issued Statement No. 99, *“Omnibus”* providing clarification guidance on several of its recent statements, including GASB Statement No. 87 Leases and GASB Statement No. 96 Subscription-Based Information Technology Arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 100

In May 2022, the Governmental Accounting Standards Board issued Statement No. 100, *“Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.”* The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

GASB No. 101

In May 2022, the Governmental Accounting Standards Board issued Statement No. 101, *“Compensated Absences.”* The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

COMPLIANCE SECTION



**Independent Auditor's Report an 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***

**To the Board of Directors
Fox Canyon Groundwater Management Agency**

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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 Disclosures, the financial statements of Fox Canyon Groundwater Management Agency, (the Agency) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 14, 2024.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a control deficiency in internal control, described in the accompanying schedule of findings and responses as item FS 2022-001 that we consider to be a material weakness.



Report on 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.

Agency's Response to The Finding

Governmental Auditing Standards require the auditors to perform limited procedures on the Agency's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Agency's response was not subsisted to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

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.

**Glendale, California
August 14, 2024**

Finding FS 2022-001 Significant Delay in Completing the 2022 and 2021 Audits

Condition

We experienced a significant delay in completing the June 30, 2022 and 2021 audits of the Agency's financial statements mainly because of management's difficulty in providing a timely general ledger, including the supporting schedules, documents, and other required audit-related financial information.

Cause / Effect

This indicates a lack of periodic review and reconciliation and an ineffective closing process in the Agency's accounting operations.

The lack of proper infrastructure and operating frameworks in implementing its financial accounting and reporting process at all times will prevent management from producing reliable and timely financial data for its stakeholders. Accordingly, the Agency is exposed to the risk of misappropriation of assets, financial reporting misstatements, and/or negative impact on its operations due to non-compliance with its regulatory reporting requirements.

Recommendation

We recommend that management establish proper infrastructure and operating frameworks in implementing its financial accounting and reporting process at all times to guide its accounting personnel in ensuring the generation of timely financial reports and information necessary for internal and external users. We also recommend that management ensure that compliance with its regulatory reporting requirements is strictly adhered to and given the utmost priority by its designated personnel responsible for the Organization's financial accounting and reporting process.

Management's Response and Action Plan

We believe we have the proper infrastructure and operating framework to implement the needed financial accounting and reporting. However, during the period this audit was conducted we experienced extraordinary staffing circumstances due to turnover and medical reasons, including the most knowledgeable fiscal staff being unavailable for several months due to medical reasons.



www.vasquez.cpa