

**LAS POSAS VALLEY
WATERMASTER**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**

JUNE 30, 2024

**LAS POSAS VALLEY
WATERMASTER
JUNE 30, 2024**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Las Posas Valley Watermaster

We have reviewed the accompanying financial statements of Las Posas Valley Watermaster (Watermaster), which comprise the statement of net position as of June 30, 2024; the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended; and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Watermaster and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
March 3, 2025

**LAS POSAS VALLEY WATERMASTER
STATEMENT OF NET POSITION
JUNE 30, 2024**

ASSETS

Current assets:

Cash and investments	\$ 1,067,101
Accounts receivable	75,811
Interest receivable	9,722
Due from County of Ventura	<u>27</u>

Total current assets 1,152,661

Total assets 1,152,661

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	4,973
Due to County of Ventura	<u>16,899</u>

Total current liabilities 21,872

Total liabilities 21,872

NET POSITION

Unrestricted 1,130,789

Total net position \$ 1,130,789

See independent accountant's review report and notes to financial statements.

**LAS POSAS VALLEY WATERMASTER
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

Operating revenues:	
Assessments	<u>\$ 1,279,633</u>
Total operating revenues	1,279,633
Operating expenses:	
Ventura County public works charges	84,708
Attorney services	59,959
Special services	64
Other professional and special services	<u>17,244</u>
Total operating expenses	<u>161,975</u>
Operating income	1,117,658
Nonoperating revenues	
Interest income	9,846
Gain in fair value change	<u>3,285</u>
Total nonoperating revenues	<u>13,131</u>
Change in net position	1,130,789
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ 1,130,789</u></u>

See independent accountant's review report and notes to financial statements.

**LAS POSAS VALLEY WATERMASTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from extraction fees	\$ 1,203,822
Cash paid to vendors and suppliers for materials and services	<u>(140,103)</u>
Net cash provided by operating activities	<u>1,063,719</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income and interest earnings	<u>3,382</u>
Net cash provided by investing activities	<u>3,382</u>
Net increase in cash and investments	1,067,101
Cash and investments at beginning of year	<u>-</u>
Cash and investments at end of year	<u><u>\$ 1,067,101</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	<u>\$ 1,117,658</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	
Change in operating assets and liabilities:	
Accounts receivable	(75,811)
Accounts payable and accrued expenses	4,973
Due to County of Ventura	<u>16,899</u>
Total adjustments	<u>(53,939)</u>
Net cash provided by operating activities	<u><u>\$ 1,063,719</u></u>

See independent accountant's review report and notes to financial statements.

**LAS POSAS VALLEY WATERMASTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – REPORTING ENTITY

Organization and Operations of the Reporting Entity

On July 10, 2023, the Santa Barbara Superior Court issued a judgment in *Las Posas Valley Water Rights Coalition, et al. v. Fox Canyon Groundwater Management Agency* (Case No. VENC100509700), adjudicating all groundwater rights in the Las Posas Valley Groundwater Basin (Basin). This Judgment, pursuant to the Sustainable Groundwater Management Act (SGMA), provides for the Basin's sustainable management and appoints the Fox Canyon Groundwater Management Agency (FCGMA) as Watermaster for implementation and administration. FCGMA retains responsibility for complying with SGMA and the Fox Canyon Groundwater Management Agency Act.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the standards promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as U.S. GAAP (accounting principles generally accepted in the United States of America). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Basis of Accounting and Measurement Focus

The Watermaster 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 Watermaster is that the costs of administering the Judgment and complying with SGMA be financed or recovered primarily through user charges (Water Right Holder's Annual Allocation), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the fiscal year 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 assessments and purchase of professional services, result from exchange transactions associated with the principal activity of the Watermaster. 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 nonoperating revenues and expenses.

Financial Reporting

The Watermaster implemented the following new standard during the fiscal year ended June 30, 2024:

- GASB Statement No. 100 – *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. The implementation of this new accounting standard has no significant impact to the Watermaster's financial statements.

Basic Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Substantially all the Watermaster's cash is invested in interest-bearing accounts. The Watermaster 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 Watermaster extends credit to customers in the normal course of operations. Receivables primarily consist of assessments levied on Water Right Holders within the Basin. When management deems customer accounts uncollectible, the Watermaster uses the allowance method for the reservation and write-off of those accounts. As of June 30, 2024, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable were deemed fully collectable.

Net Position

The Watermaster 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 amounts with constraints placed on their 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 components 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.

Assessments

Primary revenue is based on basin assessments derived from annual allocations of groundwater granted to each party. Revenue is recognized when earned, and related receivables are recorded when assessments or fees are levied. The Judgment authorizes the Watermaster to levy and collect Basin Assessments from Water Right Holders to fund the administration of the Judgment and implementation of projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Policies

The Watermaster 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 accounting principles generally accepted in the United States of America 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, 2024, are classified in the accompanying financial statements as follows:

Cash and investments	<u>\$ 1,067,101</u>
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The Watermaster's Joint Powers Agreement designates its treasurer to be the Treasurer of Ventura County (the County) (a member agency), pursuant to Section 6505.5 of the California Government Code. Therefore, all cash and investments of the Watermaster as of June 30, 2024, are held in the investment pool managed by the 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 Watermaster'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 the 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 4.58%. All investments are reported at fair value, which is either the market price or amortized cost.

The Watermaster's total cash and investments of \$1,067,101 at June 30, 2024, consist of a ratable portion of the total investment pool of the County.

NOTE 4 – RISK MANAGEMENT

The Watermaster 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 Watermaster contract with the County for legal services and maintains a wrongful act or offense policy of \$1,000,000.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Watermaster 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 Watermaster. The Watermaster compensates the County for time spent by County employees on the Watermaster's business and for the services provided to the Watermaster by the County. The Watermaster's total expense paid to the County for Public Works charges other than administrative services for the year ended June 30, 2024, are shown as the County Public Works charges in the statement of revenues, expenses, and changes in net position. As of June 30, 2024, due from the County amounted to \$27 and due to the County amounted to \$16,899.

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

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 Watermaster.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Watermaster has not fully judged the effect of the implementation of GASB Statement No. 101 as of the date of the financial statements.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Watermaster has not fully judged the effect of the implementation of GASB Statement No. 102 as of the date of the financial statements.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Watermaster has not fully judged the effect of the implementation of GASB Statement No. 103 as of the date of the financial statements.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Watermaster has not fully judged the effect of the implementation of GASB Statement No. 104 as of the date of the financial statements.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2024, through March 3, 2025, 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.