



Fox Canyon Groundwater Management Agency
Audited Financial Statements
As of and for the Years Ended June 30, 2024 and 2023
with Independent Auditor's Report

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Fox Canyon Groundwater Management Agency
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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*
Michael Craviotto, *Farmer, Agricultural Representative*
Lynn Maulhardt, *Director, United Water Conservation District*
Tony Trembley, *Councilmember City of Camarillo*

EXECUTIVE OFFICER

John Demers

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, 2024, and 2023, 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.

800 South Victoria Avenue, Ventura, CA 93009-1610 (805) 654-2014

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, a Sustainability fee assessed at \$29.00 per acre-foot, and a Reserve fee assessed at \$20.00 per acre-foot against all well owners within the geographic boundaries of the Agency. In addition, the Agency levies a surcharge on groundwater extractions in excess of a person(s) approved annual allocation based on the cost to import potable water from the Metropolitan Water District of Southern California (MWD) through Calleguas Municipal Water District (CMWD). Surcharges are assessed per water year, tiered with base tier set at CMWD Tier 2 rate.

Surcharges are not used to support Agency operations but rather are kept in an account designated by the Board to be used for supplemental 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 Rogers Anderson Malody & Scott, 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,



John Demers

Executive Officer

**Fox Canyon Groundwater Management Agency
Official Roster
As of June 30, 2024**

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Eugene F. West	Chair	Appointed	02/2023 - 02/2025
Kelly Long	Vice Chair	Appointed	02/2023 - 02/2025
Tony Trembley	Director	Appointed	02/2022 - 02/2024
David Borchard	Director	Appointed	02/2022 - 02/2024
Lynn Maulhardt	Director	Appointed	02/2023 - 02/2025

FINANCIAL SECTION

Independent Auditor's Report

To the Board of Directors
Fox Canyon Groundwater Management Agency
Ventura, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fox Canyon Groundwater Management Agency (the Agency), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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, 2024 and 2023, and the changes in its financial 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 (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 the 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.

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, as listed in the table of contents, 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 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

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 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 13, 2025 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
August 13, 2025

Fox Canyon Groundwater Management Agency

Management's Discussion and Analysis (unaudited)
For the years ended June 30, 2024 and 2023

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, 2024 and 2023. 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 2024, the Agency's net position increased by 71.59% or \$3,364,811 to \$8,065,238. In comparison, the Agency's net position increased by 32.47% or \$1,152,072 to \$4,700,427 during fiscal year 2023.
- In fiscal year 2024, the Agency's total operating revenues increased by 16.78% or \$1,056,724 to \$7,355,935. In fiscal year 2023, the Agency's total operating revenues increased by 40.44% or \$1,813,853 to \$6,299,211.
- In fiscal year 2024, the Agency's total non-operating revenues increased by 203.60% or \$227,393 to \$339,081. In fiscal year 2023, the Agency's total non-operating revenues increased by 343.92% or \$157,477 to \$111,688.
- In fiscal year 2024, the Agency's total operating expenses decreased by 17.65% or \$928,059 to \$4,330,205. In fiscal year 2023, the Agency's total operating expenses increased by 26.49% or \$1,101,361 to \$5,258,264.

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.

Fox Canyon Groundwater Management Agency

Management's Discussion and Analysis (unaudited)
For the years ended June 30, 2024 and 2023

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 as listed in the table of contents.

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 \$1,929 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 surcharge revenues for the years ended June 30, 2024, 2023, 2022, and 2021:

	For the year ended June 30,			
	2024	2023	2022	2021
Fees per acre foot	\$ 6	\$ 6	\$ 6	\$ 6
Acre feet pumped	89,084	111,574	107,757	105,575
Extraction revenue	\$ 817,117	\$ 777,109	\$ 638,416	\$ 775,988
Surcharge revenue	\$ 802,550	\$ 1,164,121	\$ 1,361,456	\$ 628,410

Fox Canyon Groundwater Management Agency

Management's Discussion and Analysis (unaudited)
For the years ended June 30, 2024 and 2023

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 as listed in the table of contents.

Condensed Statements of Net Position

	2024	2023	June 30, Change	2022	Change
Assets					
Current assets	\$11,701,148	\$ 5,768,176	\$ 5,932,972	\$ 4,333,498	\$ 1,434,678
Capital assets, net	-	-	-	563	(563)
Total assets	11,701,148	5,768,176	5,932,972	4,334,061	1,434,115
Liabilities					
Current liabilities	3,635,910	1,067,749	2,568,161	785,706	282,043
Total liabilities	3,635,910	1,067,749	2,568,161	785,706	282,043
Net position					
Investment in capital assets	-	-	-	563	(563)
Unrestricted	8,065,238	4,700,427	3,364,811	3,547,792	1,152,635
	<u>\$ 8,065,238</u>	<u>\$ 4,700,427</u>	<u>\$ 3,364,811</u>	<u>\$ 3,548,355</u>	<u>\$ 1,152,072</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 \$8,065,238 as of June 30, 2024 and \$4,700,427 as of June 30, 2023.

Currently, all of the Agency's net position as of June 30, 2024 and 2023 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 2024 and 2023, the Agency showed a positive balance in its unrestricted net position of \$8,065,238 and \$4,700,427, respectively.

The respective significant increases in current assets and current liabilities year over year is due to the DWR grant passthrough amounts, see Note 9 of these financial statements for further details regarding these amounts.

Fox Canyon Groundwater Management Agency

Management's Discussion and Analysis (unaudited)
For the years ended June 30, 2024 and 2023

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	For the year ended June 30,				
	2024	2023	Change	2022	Change
Operating revenues	\$ 7,355,935	\$ 6,299,211	\$ 1,056,724	\$ 4,485,358	\$ 1,813,853
Non-operating revenues	339,081	111,688	227,393	(45,789)	157,477
Total revenue	<u>7,695,016</u>	<u>6,410,899</u>	<u>1,284,117</u>	<u>4,439,569</u>	<u>1,971,330</u>
Operating expenses	4,330,205	5,258,264	(928,059)	4,156,903	1,101,361
Depreciation	-	563	(563)	786	(223)
Change in net position	<u>\$ 3,364,811</u>	<u>\$ 1,152,072</u>	<u>\$ 2,212,739</u>	<u>\$ 281,880</u>	<u>\$ 870,192</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 2024, the Agency's net position increased by 71.59% or \$3,364,811 to \$8,065,238 mainly due to increase of Sustainability Fee. In fiscal year 2023, the Agency's net position increased by 32.47% or \$1,152,072 to \$4,700,427 as a result of ongoing operations.

In fiscal year 2024, the Agency's total operating revenues increased by 16.78% or \$1,056,724, primarily due to the increase of \$963,780 in extraction charges revenue which was offset by a decrease of \$92,944 in other income. In 2023, total operating revenues increased by 40.44% or \$1,813,853, primarily due to an increase of \$1,813,853 in extraction charges revenue.

In fiscal year 2024, the Agency's total non-operating revenues increased by 203.60% or \$227,393, primarily due to gains in the fair value change of its investments and increased interest earnings. In fiscal year 2023, the Agency's total non-operating revenues increased by 343.92% or \$157,477, primarily due to increases in interest earnings and gains in the change in the fair value of investments.

In fiscal year 2024, the Agency's total operating expenses decreased by 17.66% or \$928,059, primarily due to a \$874,991 decrease in legal and professional services and a decrease of \$51,494 in Ventura County public works charges.

In fiscal year 2023, the Agency's total operating expenses increased by 26.49% or \$1,101,361, primarily due to \$1,094,593 increase in professional services and a \$35,516 increase in Ventura County public works charges, offset by a decrease of \$27,928 in office expenses.

Fox Canyon Groundwater Management Agency

Management's Discussion and Analysis (unaudited)
For the years ended June 30, 2024 and 2023

Capital Asset Administration

Changes in capital assets for 2024 were as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets				
Depreciable assets	\$ 542,915	\$ -	\$ -	\$ 542,915
Accumulated depreciation	(542,915)	-	-	(542,915)
Total capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in capital assets for 2023 were as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets				
Depreciable assets	\$ 542,915	\$ -	\$ -	\$ 542,915
Accumulated depreciation	(542,352)	(563)	-	(542,915)
Total capital assets, net	<u>\$ 563</u>	<u>\$ (563)</u>	<u>\$ -</u>	<u>\$ -</u>

At the end of fiscal year 2024 and 2023, the Agency's investment in capital assets amounted to \$-0- and \$-0- (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

10/13/2025 FCGMA Fiscal Committee Meeting
Exhibit D1 - Biennial Audit Report
Fox Canyon Groundwater Management Agency

Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash and investments	\$ 7,187,863	\$ 4,433,278
Receivables, net:		
Due from County of Ventura	12,079	65,682
Accounts	1,305,039	972,392
Due from other governments - grants	3,075,604	260,456
Interest	120,563	36,368
Total current assets	<u>11,701,148</u>	<u>5,768,176</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>11,701,148</u>	<u>5,768,176</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	530,593	670,498
Due to other governments - grants	3,075,604	260,456
Due to the County of Ventura	29,713	136,795
Total current liabilities	<u>3,635,910</u>	<u>1,067,749</u>
Total liabilities	<u>3,635,910</u>	<u>1,067,749</u>
Net position:		
Investment in capital assets	-	-
Unrestricted	<u>8,065,238</u>	<u>4,700,427</u>
Total net position	<u>\$ 8,065,238</u>	<u>\$ 4,700,427</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 years ended June 30, 2024 and 2023

	2024	2023
Operating revenues		
Extraction charges and surcharges	\$ 7,262,991	\$ 6,299,211
Other	92,944	-
Total operating revenues	<u>7,355,935</u>	<u>6,299,211</u>
Operating expenses		
Ventura County public works charges	1,540,952	1,592,446
Professional services	2,759,772	3,634,763
Office expenses	4,833	10,982
Maintenance building and improvements	13,622	8,812
Insurance	4,118	3,796
Special department expenses	2,501	3,973
Publications and legal notices	991	601
Communications	4	2
Miscellaneous	3,412	2,889
Total operating expenses	<u>4,330,205</u>	<u>5,258,264</u>
Operating income before depreciation	<u>3,025,730</u>	<u>1,040,947</u>
Depreciation	-	563
Operating income	<u>3,025,730</u>	<u>1,040,384</u>
Nonoperating revenues (expenses)		
Interest income	277,445	88,098
Grant revenue	3,516,579	824,290
Grant expense	(3,516,579)	(824,290)
Net increase in the fair value of investments	61,636	23,590
Total nonoperating revenues (expenses)	<u>339,081</u>	<u>111,688</u>
Change in net position	3,364,811	1,152,072
Net position		
Beginning of year	<u>4,700,427</u>	<u>3,548,355</u>
End of year	<u><u>\$ 8,065,238</u></u>	<u><u>\$ 4,700,427</u></u>

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

10/13/2025 FCGMA Fiscal Committee Meeting
Exhibit D1 - Biennial Audit Report
Fox Canyon Groundwater Management Agency

Statements of Cash Flows
For the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from extraction fees	\$ 7,076,891	\$ 5,609,702
Cash payments to suppliers for goods and services	(4,577,192)	(5,236,677)
Net cash provided by (used for) operating activities	<u>2,499,699</u>	<u>373,025</u>
Cash flows from noncapital financing activities:		
Proceeds from grants	3,516,579	824,290
Grant payments to other governments	(3,516,579)	(824,290)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Investment income and interest earnings	<u>254,886</u>	<u>76,344</u>
Net cash provided by (used for) investing activities	<u>254,886</u>	<u>76,344</u>
Net change in cash and cash equivalents	2,754,585	449,369
Cash and cash equivalents, beginning of year	<u>4,433,278</u>	<u>3,983,909</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,187,863</u></u>	<u><u>\$ 4,433,278</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$ 3,025,730	\$ 1,040,384
Depreciation	-	563
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(332,647)	(628,568)
Due from County of Ventura	53,603	(60,941)
Due from other governments - grants	(2,815,148)	(260,456)
Increase (decrease) in liabilities:		
Accounts payable	(139,905)	(91,352)
Due to County of Ventura	(107,082)	112,939
Due to other governments - grants	<u>2,815,148</u>	<u>260,456</u>
Net cash provided by (used for) operating activities	<u><u>\$ 2,499,699</u></u>	<u><u>\$ 373,025</u></u>
Schedule of non-cash operating, noncapital and capital related financing and investing activities		
None	\$ -	\$ -

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

Fox Canyon Groundwater Management Agency

Notes to the Basic Financial Statements

For the years ended June 30, 2024 and 2023

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 agencies including the 1) County of Ventura Board of Supervisors, 2) United Conservation District, 3) seven small districts within the agency (Alta Mutual Water Company, Pleasant Valley County Water District, Berylwood Mutual Water Company, Calleguas Municipal Water District, Camrosa Water District, Zone Mutual Water Company, and Del Norte Mutual Water Company), 4) the five incorporated cities within the Agency (Ventura, Oxnard, Camarillo, Port Hueneme, and Moorpark), and 5) the farmers.

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 us 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. The Agency uses the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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.

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.

Notes to the Basic Financial Statements
For the years ended June 30, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 2023, 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 by the Agency 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. Donated assets are recorded at acquisition value on the date donated. 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

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.

Fox Canyon Groundwater Management Agency

Notes to the Basic Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 \$50 per day 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.

Financial Reporting

The GASB has issued several pronouncements that have effective dates that may impact future financial statement presentation. The Agency is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The implementation of this new accounting standard has no significant impact to the Agency's financial statements.

Notes to the Basic Financial Statements
For the years ended June 30, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The implementation of this new accounting standard has no significant impact to the Agency's financial statements.
- GASB Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for various reporting periods with the last effective date beginning after June 15, 2023. The implementation of this new accounting standard has no significant impact to the Agency's financial statements.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The implementation of this new accounting standard has no significant impact to the Agency's financial statements.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of June 30, 2024 and 2023, are classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Cash and investments	<u>\$ 7,187,863</u>	<u>\$ 4,433,278</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, 2024 and 2023 are held in the investment pool managed by the Ventura County Treasurer. The Agency's total cash and investments of \$7,187,863 and \$4,433,278 as of June 30, 2024 and 2023 respectively, consist of a ratable portion of the total investment pool of the County of Ventura.

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 years ended June 30, 2024 and 2023

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. All investments are reported at fair value, which is either the market price or amortized cost. Currently, the Agency does not have any investments subject to the fair value hierarchy.

Please see the Ventura County Investment Policy for more information regarding risks related to credit quality, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

NOTE 4 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2024 was as follows:

	Balance July 31, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets being depreciated:				
Equipment	\$ 185,063	\$ -	\$ -	\$ 185,063
Software	357,852	-	-	357,852
Total capital assets being depreciated:	542,915	-	-	542,915
Less accumulated depreciation				
Equipment	(185,062)	-	-	(185,062)
Software	(357,853)	-	-	(357,853)
Total accumulated depreciation	(542,915)	-	-	(542,915)
Total capital assets being depreciated, net	\$ -	\$ -	\$ -	\$ -

Capital assets activity for the fiscal year ended June 30, 2023 was as follows:

	Balance July 31, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated:				
Equipment	\$ 185,063	\$ -	\$ -	\$ 185,063
Software	357,852	-	-	357,852
Total capital assets being depreciated:	542,915	-	-	542,915
Less accumulated depreciation				
Equipment	(184,499)	(563)	-	(185,062)
Software	(357,853)	-	-	(357,853)
Total accumulated depreciation	(542,352)	(563)	-	(542,915)
Total capital assets being depreciated, net	\$ 563	\$ (563)	\$ -	\$ -

Depreciation expense of \$-0- and \$563 were charged to operations during fiscal years 2024 and 2023, respectively.

Fox Canyon Groundwater Management Agency

Notes to the Basic Financial Statements

For the years ended June 30, 2024 and 2023

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: Glass House Camarillo Cultivation, United Water Conversation District, City of Ventura, Boskovich Farms Inc., Pleasant Valley County Water District, Leavens Ranches LLC, etc.

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, 2024 and 2023 are shown as the Ventura County public works agency charges in the Statement of Revenues, Expense and Changes in Net Position. As of June 30, 2024 and 2023, due from County of Ventura amounted to \$12,079 and \$65,682, respectively.

As of June 30, 2024 and 2023, Due to County of Ventura amounted to \$29,713 and \$136,795, respectively.

The Agency recognized revenue of \$680,009 in 2024 and \$625,965 in 2023 from the United Water Conservation District for groundwater extraction fees. The Agency also recognized revenue of \$408,407 in 2024 and \$92,317 in 2023, 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 CONTINGENCIES

The Agency is currently involved in litigation with multiple parties concerning water rights and matters related to California's Sustainable Groundwater Management Act. The Agency does not have groundwater rights, but it is actively participating in the lawsuit to ensure that any resolution is consistent with its groundwater sustainability plans and allocation ordinance. The Agency does not face any liability for damages in connection with the challenges to the GSPs and the allocation ordinance, or the groundwater adjudication. At this time, the Agency cannot reasonably determine the probability of an unfavorable outcome.

Fox Canyon Groundwater Management Agency

Notes to the Basic Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 9 GRANT ADMINISTRATION, REVENUES, AND EXPENSES

During the fiscal year ended June 30, 2023, the Agency entered into two grant agreements with the State of California Department of Water Resources (DWR), each in the amount of \$7,600,000, under the 2021 Sustainable Groundwater Management Grant Program – SGMA Implementation Round 1. The Agency serves solely as the administrator of the grants.

As administrator, the Agency executed subgrant agreements with three subgrantees: Pleasant Valley County Water District, United Water Conservation District, and the City of Camarillo. The subgrantees are responsible for implementing the approved projects and will incur all associated project costs. Additionally, each subgrantee is required to reimburse the Agency for its share of administrative costs related to the administration of the grants.

Under the terms of the agreements, subgrantees submit documentation of eligible expenses to the Agency. The Agency then compiles and submits reimbursement requests to DWR. Upon receipt of funds from DWR, the Agency disburses the appropriate amounts to the respective subgrantees.

Based on the above information, the grant does not affect the Agency's net position and has a net zero effect on the statement of revenues, expenses and changes in net position and the statement of cash flows.

NOTE 10 GOVERNMENTAL ACCOUNTING STANDARDS BOARDS STATEMENT ISSUED, NOT YET EFFECTIVE

The 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 Statement No. 101, *Compensated Absences*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.
- GASB Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.
- GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2024 and 2023 through August 13, 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.

Notes to the Basic Financial Statements
For the years ended June 30, 2024 and 2023

NOTE 11 SUBSEQUENT EVENTS (CONTINUED)

On October 8, 2024, the Superior Court of California awarded approximately \$550,000 in attorneys' fees and costs against the Agency in connection with a case involving groundwater pumping extraction allocations. This event occurred after the financial statement date and does not impact the amounts recognized in the accompanying financial statements. In November 2024, the Agency appealed the trial court's award of attorney's fees and costs.

COMPLIANCE SECTION

**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**

Independent Auditor's Report

To the Board of Directors
Fox Canyon Groundwater Management Agency
Ventura, CA

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 Districts*, the financial statements of Fox Canyon Groundwater Management Agency, (the Agency) as of and for the years ended June 30, 2024 and 2023, 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 13, 2025.

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. 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 or significant deficiencies may exist that were not identified.

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 statements. 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
August 13, 2025