



MoundBasin

GROUNDWATER SUSTAINABILITY AGENCY

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021

Mound Basin Groundwater Sustainability Agency

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Independent Auditor's Report

To the Board of Directors
Mound Basin Groundwater Sustainability Agency
Ventura, California

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Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Mound Basin Groundwater Sustainability Agency (the Agency), as of June 30, 2021, the related changes in financial position and cash flows for the years ended June 30, 2021 and 2020, 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 present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2021, and the changes in financial position and cash flows for the years ended June 30, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing Special Districts.

Basis for Opinion

We conducted our audit 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 District's*. 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 audit. 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

The Agency's 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 one year after the date that the financial statements are issued.

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 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, 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 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 required supplementary information, such as 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
November 4, 2021

Mound Basin Groundwater Sustainability Agency

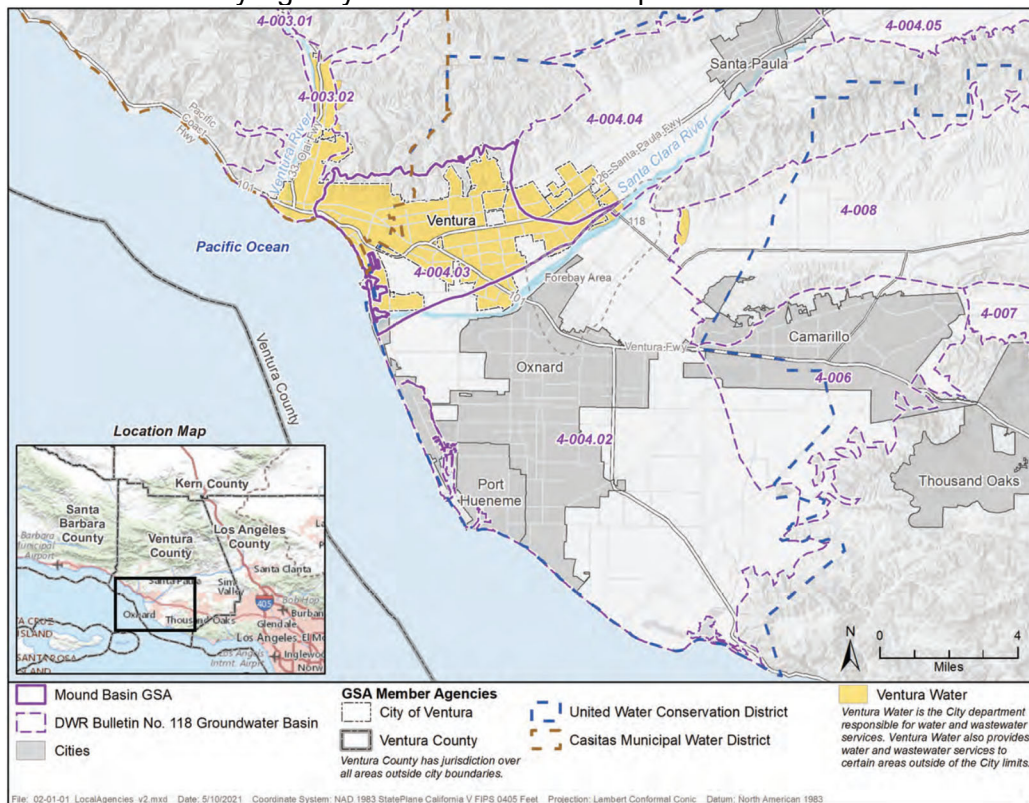
Management's Discussion and Analysis For the year ended June 30, 2021

The following Management Discussion and Analysis (MD&A) of activities and financial performance of the Mound Basin Groundwater Sustainability Agency (Agency) introduces the financial statements of the District for the fiscal years ended June 30, 2021 and June 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Introduction to the Agency

The Agency was formed in June 2017 in response to the 2014 Sustainable Groundwater Management Act (SGMA or the Act). SGMA requires groundwater basins subject to the Act to form a Groundwater Sustainability Agency (GSA), which is then required to develop and implement a groundwater sustainability plan (GSP or Plan) and achieve sustainable groundwater management within 20 years of Plan adoption. The Agency is required to submit its GSP to the Department of Water Resources for approval by January 31, 2022.

The Agency is a joint powers authority comprised of the following three local public agencies: United Water Conservation District (United), the County of Ventura (the County), and the City of San Buenaventura (the City). The boundaries of these agencies and the Mound Basin Groundwater Sustainability Agency are shown on the map below.



The Agency's Board of Directors is composed of three Member Directors and two Stakeholder Directors. United, the County, and the City each appoint one Member Director to the Board. The Joint Powers Agreement (JPA) specifies that one Agricultural Stakeholder Director and one Environmental Stakeholder Director will be selected by the Member Directors.

Mound Basin Groundwater Sustainability Agency

Management's Discussion and Analysis For the year ended June 30, 2021

The Agency's primary source of revenue is groundwater extraction fees, charged to each entity that extracts groundwater from a well located within the basin during the reporting period. Data on acre feet of water pumped is provided to the Agency by United. Well owners and operators report their pumping to United on a semi-annual basis.

The Agency was awarded a grant from the Department of Water Resources to assist with the preparation of the Groundwater Sustainability Plan. The grant period runs through April 2022. Grant funding totals \$758,100 and requires a cost share by the Agency of \$263,206. Grant revenue is recorded in the period in which it is earned.

Financial and Operational Highlights

- In Fiscal Year 2020-21 the Agency charged groundwater extraction fees for the period from July 1, 2020 through June 30, 2021 totaling 5,543-acre feet and generating \$134,920 in revenue.
- In Fiscal Year 2019-20, the Agency charged groundwater extraction fees for 5,876-acre feet of water that was pumped in the basin during the year, generating \$170,392 in revenue.
- The Agency had an increase in net position of \$59,685 in Fiscal Year 2020-21 and an increase of \$43,309 in Fiscal Year 2019-20.
- The increase in net position in Fiscal Year 2020-21 was due to both an increase in State grant funding and lower than anticipated operating expenses, mainly in GSP Preparation and Legal.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency utilizes one fund, which is categorized as a proprietary (enterprise) fund.

The Agency uses the *accrual basis of accounting* in its proprietary fund, which is similar to the accounting method used by most private sector companies. All the current year's revenues and expense are taken into accounts regardless of when the cash is received or paid.

Mound Basin Groundwater Sustainability Agency

Management's Discussion and Analysis For the year ended June 30, 2021

Required Financial Statements

Statement of Net Position. The Statement of Net Position presents financial information on all the Agency's assets (resources) and liabilities (obligations), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The following condensed financial information provides an overview of the Agency's net position for the years ended June 30, 2021 and 2020:

	June 30		Change	
	2021	2020	Dollar	Percentage
Assets				
Current assets	\$ 433,277	\$ 400,595	\$ 32,682	8.16%
Total assets	<u>433,277</u>	<u>400,595</u>	<u>32,682</u>	8.16%
Liabilities				
Current liabilities	18,137	45,140	(27,003)	-59.82%
Noncurrent liabilities	55,000	55,000	-	0.00%
Total liabilities	<u>73,137</u>	<u>100,140</u>	<u>(27,003)</u>	-26.97%
Net position				
Unrestricted	360,140	300,455	59,685	19.86%
Total net position	<u>\$ 360,140</u>	<u>\$ 300,455</u>	<u>\$ 59,685</u>	19.86%

The Agency's total net position as of June 30, 2021 is \$360,140, all of which is unrestricted. The largest portion of the Agency's net position as of June 30, 2021 are receivables of \$253,132, followed by cash totaling \$180,145. The Agency's only liabilities are payables of \$18,137 and a cash advance from the City of San Buenaventura (the City) for \$55,000. The Agency's liabilities are 20% of net position.

Statement of Revenues, Expenses and Change in Net Position. The Statement of Revenues, Expenses and Change in Net Position provides information on the Agency's financial activity during the year. It provides a summary of the Agency's revenues generated from groundwater extraction fees and the operating expenses associated with the activities of the Agency. It also summarizes other non-operating revenue sources such as grant revenue.

The following condensed financial information provides an overview of the Agency's revenues and expenses for the fiscal years ended June 30, 2021 and June 30, 2020:

	June 30, 2021	June 30, 2020	Change
Operating revenues	\$ 134,920	\$ 170,392	\$ (35,472)
Operating expenses	412,430	245,449	166,981
Operating income	<u>(277,510)</u>	<u>(75,057)</u>	<u>(202,453)</u>
Nonoperation revenues	339,748	119,430	220,318
Nonoperating expenses	<u>(2,553)</u>	<u>(1,064)</u>	<u>(1,489)</u>
Change in net position	<u>\$ 59,685</u>	<u>\$ 43,309</u>	<u>\$ 19,354</u>

Mound Basin Groundwater Sustainability Agency

Management's Discussion and Analysis For the year ended June 30, 2021

In fiscal year 2019-20, the Agency increased its net position by \$43,309 as all groundwater extraction fees for both periods were \$30 per acre foot. The most recent fiscal year included revenue for groundwater extractions fees for two periods: July through December 2020 at \$28 per acre foot and January through June 2021 at \$19 per acre foot. The largest component of the expenses (92%) related to professional services for GSP preparation and contracted staff. The Agency also recognized grant revenue of \$339,748 and had an increase of net position of \$59,685 in FY 2020-21.

Budgetary Highlights

Original Budget to Final Budget. There was a mid-year budget modification to the Fiscal Year 2019-20 budget, State grant revenues were reduced due to lower GSP consultant fees. The Fiscal Year 2020-21 budget was slightly modified to account for projected late fees, causing the only change to net income, as well as reorganizing expense categories while maintaining the same overall expense amount.

Variances to Budget. A condensed statement of variances to budget is presented below.

	<u>2021 Actual</u>	<u>2021 Final Budget</u>	<u>Variance</u>	<u>2020 Actual</u>	<u>2020 Final Budget</u>	<u>Variance</u>
Operating revenues - groundwater extraction fees	\$ 134,920	\$ 150,000	\$ (15,080)	\$ 170,392	\$ 187,500	\$ (17,108)
Operating expenses	412,430	595,236	182,806	245,449	429,989	184,540
Nonoperating revenues/expenses, net	337,195	492,039	(154,844)	118,366	197,278	(78,912)
Net income (loss)	<u>\$ 59,685</u>	<u>\$ 46,803</u>	<u>\$ 12,882</u>	<u>\$ 43,309</u>	<u>\$ (45,211)</u>	<u>\$ 88,520</u>

Groundwater extraction fee revenue was \$32,188 lower than budgeted for the two fiscal years combined due in part to conservative budgeting based on historical average use as well as lower groundwater extraction rates in Fiscal Year 2020-21. In total approximately 1,081-acre feet less of water was pumped from wells located in the Mound Basin than was projected.

Operating expenses were \$367,346 lower than budgeted for the two fiscal years combined. Approximately \$234,506 of this variance is a combination of timing differences and reduced costs as professional services related to the development of the GSP have been incurred more slowly than planned. The remainder of the variance is due to savings in operating expenses, primarily contractual staff and legal fees.

The higher-than-planned net position will be used to cover the costs of development of the GSP and regular operating expenses in future fiscal years.

Statement of Cash Flows. The Statement of Cash Flows reports the Agency's sources and uses of cash and the change in cash balance during the reporting period. \$270,766 of the Agency's cash was used/expended by operating activities, consisting of cash received from customers offset by Operating Expenses. The Agency recognizes that there is an increase of approximately \$100,000 in the Accounts Receivable which reduced the overall cash flow. The Agency had no investing activities during Fiscal Years 2019-20 or 2020-21.

Mound Basin Groundwater Sustainability Agency

Management's Discussion and Analysis For the year ended June 30, 2021

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 12-13 of this report.

Capital Assets

The Agency has no capital assets and no plans to acquire capital assets in the coming fiscal year.

Debt

The Agency's only debt consists of a \$55,000 cash advance from the City of San Buenaventura. Interest is accrued at the annual rate published as the yield of the Local Agency Investment Fund administered by the California State Treasurer. The advance is to be repaid, with interest, by December 31, 2022.

Economic Factors and Next Year's Budgets and Rates

The following factors currently affect the Agency and were considered in developing the Fiscal Year 2021-22 budget.

- Anticipated groundwater pumping volume based on conservative historical averages, rather than based on Fiscal Year 2019-20 and 2020-21 pumping volumes.
- Anticipated timing of grant reimbursements, which occur approximately six months after the end of the quarterly reporting period.
- Professional services to finish preparation of the GSP were estimated based on work completed in Fiscal Year 2019-20 and anticipated remaining work in Fiscal Year 2020-21 necessary to finalize, adopt, and submit the GSP by January 31, 2022.
- Professional services anticipated for GSP implementation activities beginning in 2022, including preparation and submittal of the first required GSP annual report and other miscellaneous implementation activities.
- Budgeted groundwater extraction fee rates are \$59 per acre foot for Fiscal Year 2021-22.

Requests for Information

This report is designed to provide the Agency's ratepayers, stakeholders, funding sources and other interested parties with an overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bryan Bondy, Executive Director, Mound Basin Groundwater Sustainability Agency, PO Box 3544, Ventura, CA 93006-3544.

Mound Basin Groundwater Sustainability Agency

Statement of Net Position

June 30, 2021

Assets

Current assets:

Cash	\$	180,145
Receivables:		
Accounts receivable		45,114
Grants receivable		208,018
Total current assets		<u>433,277</u>
Total assets		<u>433,277</u>

Liabilities

Current liabilities:

Accounts payable		15,904
Interest payable		2,233
Total current liabilities		<u>18,137</u>

Noncurrent liabilities:

Advance from City of San Buenaventura (see note 3)		<u>55,000</u>
Total noncurrent liabilities		<u>55,000</u>
Total liabilities		<u>73,137</u>

Net position:

Restricted		<u>360,140</u>
Total net position	\$	<u><u>360,140</u></u>

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

Mound Basin Groundwater Sustainability Agency

Statement of Revenues, Expenses and Changes in Net Position For the years ended June 30, 2021 and June 30, 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Groundwater extraction fees	\$ 134,920	\$ 170,392
Total operating revenues	<u>134,920</u>	<u>170,392</u>
Operating expenses		
Professional services	397,544	236,052
Legal fees	5,673	2,270
Office expenses	7,268	4,729
Insurance	1,945	2,398
Total operating expenses	<u>412,430</u>	<u>245,449</u>
Operating income (loss)	<u>(277,510)</u>	<u>(75,057)</u>
Nonoperating revenues (expenses)		
State grants	339,748	115,880
Other revenues/(expenses)	(2,278)	3,550
Interest expense	(275)	(1,064)
Total nonoperating revenues (expenses)	<u>337,195</u>	<u>118,366</u>
Net income	59,685	43,309
Net position, beginning of year	<u>300,455</u>	<u>257,146</u>
Net position, end of year	<u>\$ 360,140</u>	<u>\$ 300,455</u>

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

Mound Basin Groundwater Sustainability Agency

Statement of Cash Flows

For the years ended June 30, 2021 and June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 171,220	\$ 211,476
Cash payments to suppliers for goods and services	<u>(441,986)</u>	<u>(213,361)</u>
Net cash provided by (used for) operating activities	<u>(270,766)</u>	<u>(1,885)</u>
Cash flows from noncapital financing activities:		
Proceeds from grants	<u>202,560</u>	<u>61,670</u>
Net cash provided by (used for) noncapital financing activities	<u>202,560</u>	<u>61,670</u>
Net change in cash and cash equivalents	(68,206)	59,785
Cash and cash equivalents, beginning of year	<u>248,351</u>	<u>188,566</u>
Cash and cash equivalents, end of year	<u>\$ 180,145</u>	<u>\$ 248,351</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (277,510)	\$ (75,057)
Other revenues/(expenses)	(2,278)	3,550
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
(Increase) decrease in assets:		
Accounts receivable	36,300	37,534
Increase (decrease) in liabilities:		
Accounts payable	<u>(27,278)</u>	<u>32,088</u>
Net cash provided by (used for) operating activities	<u>\$ (270,766)</u>	<u>\$ (1,885)</u>
Schedule of non-cash operating, noncapital and capital related financing and investing activities	\$ -	\$ -

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

Mound Basin Groundwater Sustainability Agency

Notes to Financial Statements For the year ended June 30, 2021

1. Summary of Significant Accounting Policies

Reporting entity

In May 2017, the City of San Buenaventura (the City), County of Ventura (the County), and United Water Conservation District (the District) entered into a joint powers agreement to form the Mound Basin Groundwater Sustainability Agency (the Agency). The Agency was created primarily to satisfy the requirements of the Sustainable Groundwater Management Act. The Agency is governed by one representative from the City, one representative from the County, and one representative from the District.

Measurement focus and basis of accounting

The Agency utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, 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 any related cash flows.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or member contributions in connection with the principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Agency considers cash on hand, demand deposits at financial institutions to be cash and cash equivalents. The Agency does not hold any investments as of June 30, 2021.

Non-current liabilities

The Agency has received an advance from the City of San Buenaventura to fund start-up costs and is listed as a non-current liability.

Fair value measurements

Currently, the Agency does not have any assets subject to fair value measurements.

Mound Basin Groundwater Sustainability Agency

Notes to Financial Statements For the year ended June 30, 2021

2. Cash and cash equivalents

Cash and cash equivalents at June 30, 2021 consist of cash in the bank of \$180,145. The carrying amount of the Agency's cash is covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

The Agency has not adopted any policies which address credit risk, custodial credit risk, interest rate risk or concentration of credit risk.

3. Advances from the City of San Buenaventura

The Agency received an advance from the City of San Buenaventura to fund the Agency's start-up costs. The advance is to be paid back to the City of San Buenaventura in full by December 31, 2022, plus any accrued interest at the annual rate published as the yield of the Local Agency Investment Fund. Interest incurred in fiscal year 2021 amounted to \$2,233.

The following is a schedule of changes in the advance for the year ended June 30, 2021:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,000</u>

4. State grants

The Agency receives significant financial assistance from the State Department of Water Resources in the form of grants, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits. Any disallowance because of these audits could become a liability of the Agency. As of June 30, 2021, the Agency is unable to estimate the amount, if any, of expenses that may be disallowed, although the Agency expects such amounts, if any, to be immaterial.

5. Risk management

The Agency is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters. The Agency pays an annual premium for general liability insurance and property loss. There were no settlements in excess of the insurance coverage in any of the past three years.