

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY

Financial Statements for the
Years Ended September 30, 2019 and 2018
And Independent Auditor's Report

Fanning & Karrh

Certified Public Accountants

A Professional Corporation

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
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OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
Governing Board of Directors and Management

<u>Name</u>	<u>Position</u>
<u>Governing Board of Directors:</u>	
Richard Hajas	Chairman
Jim Finch	Vice-Chairman
Peter Thielke	Director
Andrew Whitman	Director
Bob Daddi	Director
<u>Management:</u>	
Julia Aranda	General Manager



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A Professional Corporation

POBox 7464
Ventura, California 93006
Telephone (805) 654-0450

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ojai Basin Groundwater Management Agency:

We have audited the accompanying financial statements of Ojai Basin Groundwater Management Agency (Agency) as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ojai Basin Groundwater Management Agency as of September 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fanning & Karrh

Ventura, California
January 25, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of Ojai Basin Groundwater Management Agency, (Agency), financial performance provides an overview of the Agency's financial activities for the fiscal years ended September 30, 2019, and 2018. Please read it in conjunction with the Agency's financial statements and accompanying notes that follow.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased \$43,667 and \$69,251 as a result of the operations during the years ended September 30, 2019, and 2018, respectively.

OVERVIEW

This discussion and analysis serve as an introduction to the Agency's basic financial statements. The financial statements reflect the revenues and expenses of the Agency for two fiscal years, October 1, 2018 – September 30, 2019, and October 1, 2017 – September 30, 2018. The financials include the following statements for each year presented: 1) Statement of Net Position; 2) Statement of Revenues and Expenses and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements.

The Statements of Net Position present the Agency's assets and liabilities, with the difference between the two presented as net position. The balances in the Agency's net position give the reader an indication of improvement or deterioration of its financial condition over time.

The Statements of Revenues, Expenses, and Changes in Net Position give the reader information on each year presented and break down the Agency's operations into meaningful detail. The data in the financials is based on revenues earned and expenses incurred by the Agency. The net amount of unexpended revenues for each year presented was added to the Agency's unrestricted net position. The total net position represents the cumulative net result of the Agency's operations since its inception.

The Agency uses a single enterprise fund for accounting and reports the results of all operations. The statements referenced above include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-section companies. Accrual revenues and expenses are taken into account regardless of when cash is received or paid.

The notes that follow the financial statements provide additional information essential to a full understanding of the data provided in the financial statements.

The following is a summary of the net position of the Agency and the change in the net position at September 30, 2019, 2018 and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current Assets	\$ 176,204	\$ 129,927	\$ 61,718
Noncurrent Assets	<u>900</u>	<u>900</u>	<u>-</u>
Total Assets	<u>\$ 177,104</u>	<u>\$ 130,827</u>	<u>\$ 61,718</u>
Liabilities	<u>7,752</u>	<u>5,142</u>	<u>5,284</u>
Net Position	<u>169,352</u>	<u>125,685</u>	<u>56,434</u>
Total Liabilities and Net Position	<u>\$ 177,104</u>	<u>\$ 130,827</u>	<u>\$ 61,718</u>

The Agency's net position increased \$43,667 (35%) and \$69,251 (123%) during the years ended September 30, 2019 and 2018, respectively. Total assets increased \$46,277 (35%) and \$69,109 (112%) as of September 30, 2019 and 2018, respectively, primarily due to increases in cash and cash equivalents. The increases are due to operations and are reflected in the following table.

The following condensed information reflects the actual revenues and expenses for the years that ended September 30, 2019, 2018 and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues			
Charges for services and miscellaneous	\$ 150,635	\$ 164,684	\$ 74,017
Operating Expenses			
Payroll expenses	34,602	34,050	33,100
Professional fees	61,358	49,600	96,842
Other	<u>11,114</u>	<u>11,835</u>	<u>21,069</u>
Total operating expenses	107,074	95,485	151,011
Nonoperating revenues - interest income	<u>106</u>	<u>52</u>	<u>68</u>
Change in net position	<u>\$ 43,667</u>	<u>\$ 69,251</u>	<u>\$ (76,926)</u>

- Operating revenue reflects a decrease of \$14,049 during the year ended September 30, 2019, due to decreased pumping and, therefore, decreased groundwater extraction charge revenue. An increase of \$90,667 during the year ended September 30, 2018, was due to the implementation of the wellhead fee charged to each pumper (\$260 per year effective January 1, 2018) and increased groundwater extractions by pumpers.
- Operating expenses reflect an increase of \$11,589 during the year ended September 30, 2019, due to a slight increase in consultant work. A decrease of \$55,526 during the year ended September 30, 2018, was due to limited work by consultants.

Actual Results Compared to Budget

The Board of Directors adopts an annual budget each year. Performance is monitored throughout the year, comparing actual performance results to the budget. The following is a summary of actual results in comparison to budget.

For the year ended September 30, 2019:

	<u>Actual</u>	<u>Budget</u>
Operating Revenues		
Charges for services and miscellaneous	\$ 150,635	\$ 159,400
Operating Expenses		
Payroll expenses	34,602	34,050
Professional fees	61,358	74,625
Other	<u>11,114</u>	<u>20,750</u>
Total operating expenses	107,074	129,425
Nonoperating revenues - interest income	<u>106</u>	<u>1,000</u>
Change in net position	<u>\$ 43,667</u>	<u>\$ 30,975</u>

For the year ended September 30, 2018:

	<u>Actual</u>	<u>Budget</u>
Operating Revenues		
Charges for services and miscellaneous	\$ 164,684	\$ 141,959
Operating Expenses		
Payroll expenses	34,050	36,868
Professional fees	49,600	86,535
Other	<u>11,835</u>	<u>16,037</u>
Total operating expenses	95,485	139,440
Nonoperating revenues - interest income	<u>52</u>	<u>63</u>
Change in net position	<u>\$ 69,251</u>	<u>\$ 2,582</u>

ECONOMIC FACTORS

Operating revenues for the Agency are highly dependent on groundwater extractions in the basin, which, in turn, are dependent on the weather (rainfall in the winter and high temperatures in the summer, for example).

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager, Ojai Basin Groundwater Management Agency, P.O. Box 1779, Ojai, California 93023.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
 STATEMENTS OF NET POSITION
 SEPTEMBER 30, 2019 AND 2018

	<u>NOTES</u>	<u>2019</u>	<u>2018</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2 , 3	\$ 117,577	\$ 77,598
Accounts receivable		<u>58,627</u>	<u>52,329</u>
TOTAL CURRENT ASSETS		<u>176,204</u>	<u>129,927</u>
NONCURRENT ASSETS			
Capital assets, net	4	-	-
Deposits		<u>900</u>	<u>900</u>
TOTAL NONCURRENT ASSETS		<u>900</u>	<u>900</u>
TOTAL ASSETS		<u>177,104</u>	<u>130,827</u>
LIABILITIES			
Accounts payable		6,156	3,838
Payroll liabilities		<u>1,596</u>	<u>1,304</u>
TOTAL LIABILITIES		<u>7,752</u>	<u>5,142</u>
NET POSITION			
Net investment in capital assets		-	-
Unrestricted		<u>169,352</u>	<u>125,685</u>
TOTAL NET POSITION		<u>169,352</u>	<u>125,685</u>
TOTAL NET POSITION		<u>\$ 169,352</u>	<u>\$ 125,685</u>

See accompanying notes to financial statements.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
 STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Extraction charges	\$ 107,082	\$ 131,428
Well head fees	40,105	29,445
Other	<u>3,448</u>	<u>3,811</u>
TOTAL OPERATING REVENUE	<u>150,635</u>	<u>164,684</u>
OPERATING EXPENSES:		
Depreciation	-	-
Insurance	2,085	1,917
Miscellaneous	-	450
Other operating expenses	1,509	2,958
Office expenses	1,120	1,798
Payroll expense	34,602	34,050
Professional expenses	61,358	50,119
Rent	6,400	3,625
Small tools	<u>-</u>	<u>568</u>
TOTAL OPERATING EXPENSES	<u>107,074</u>	<u>95,485</u>
INCOME FROM OPERATIONS	<u>43,561</u>	<u>69,199</u>
NON-OPERATING REVENUES -		
Interest income	<u>106</u>	<u>52</u>
CHANGE IN NET POSITION	43,667	69,251
TOTAL NET POSITION - Beginning of year	<u>125,685</u>	<u>56,434</u>
TOTAL NET POSITION - End of year	<u>\$ 169,352</u>	<u>\$ 125,685</u>

See accompanying notes to financial statements.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 144,337	\$ 147,345
Cash payments to employees	(34,310)	(33,822)
Cash payments for operating expenses	<u>(70,154)</u>	<u>(61,305)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>39,873</u>	<u>52,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	106	52
Rent deposit	<u>-</u>	<u>(900)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>106</u>	<u>(848)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,979	51,370
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>77,598</u>	<u>26,228</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 117,577</u>	<u>\$ 77,598</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 43,561	\$ 69,199
Changes in operating assets and liabilities:		
Accounts receivable	(6,298)	(17,339)
Other receivables	-	500
Accounts payable	2,318	(370)
Payroll liabilities	<u>292</u>	<u>228</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 39,873</u>	<u>\$ 52,218</u>

See accompanying notes to financial statements.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Ojai Basin Groundwater Management Agency (Agency), a special district of the State of California, was formed in 1991 pursuant to the Ojai Basin Groundwater Management Agency Act (Senate Bill No 534). The Agency is responsible for managing the supply and demand of Ojai Groundwater Basin for the protection and common benefit of agricultural, municipal, and industrial water users of the basin. The Board of Directors consists of five members representing the City of Ojai, Casitas Municipal Water District, Ojai Water Conservation District, Communities Facilities District and one elected to represent three mutual water companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Agency’s reporting entity includes all significant operation and revenue sources which the Agency’s Board of Directors exercises oversight responsibility. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. There are no component units included in this report.

Basis of Accounting – The Agency is accounted for as a proprietary fund in accordance with generally accepted accounting principles as applied to governmental units. Proprietary funds are used to account for operations (a) that are financial and operated in a manner similar to private business enterprises – where the expenses of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the Agency is accounted for as a proprietary fund, the Agency uses the economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. Net position is segregated into investment in capital and unrestricted.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues come from extraction charges from well owners within the basin. Operating expenses include the administrative expenses of the Agency. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Principles of Presentation – The accompanying financial statements are presented utilizing the accrual method of accounting.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents.

Accounts Receivable – Accounts receivable are from customers whose property is located within the Ojai Basin. There is no allowance for doubtful accounts as the amounts are deemed collectible by the Agency.

Capital Assets – Capital assets that are acquired and/or constructed are capitalized at historical cost. Donated property is recorded at fair market value at the date of donation. No formal capitalization policy has been established. Depreciation is recorded on a straight-line basis over the estimated service lives of five to seven years.

Compensated Absences – The Agency's employees do not receive compensated absences at this time; therefore no liability for compensated absences exists.

Net Position – Net position represents the difference between assets and liabilities on the financial statements. Net position is classified in the following categories:

- Net investment in capital assets – This category includes capital assets, net of accumulated depreciation and reduced by any outstanding debt related to the acquisition, construction, or improvement of those assets.
- Restricted – This category consists of net position with legal limitations imposed on their use by external restrictions by other governments, creditors, grantors, contributors, laws, or regulations, or through constitutional provision, or enabling legislation. As of September 30, 2019 and 2018, the Agency did not have restricted net position.
- Unrestricted net position – This category consists of all other net position that does not meet the definition of restricted or invested in capital assets.

Subsequent Events – The Agency has evaluated subsequent events through January 25, 2024, the date which the financial statements were available to be issued.

Reclassifications - Certain reclassifications have been made to the prior year financial statements in order to conform to the presentation of the current year financial statements for comparative purposes. There is no material effect on the financial statements.

3. DEPOSITS

The Agency's carrying value of deposits with banks was \$117,577 and \$77,598 at September 30, 2019 and 2018, respectively. The corresponding bank balances were \$126,334 and \$86,201 at September 30, 2019 and 2018, respectively. Bank balances up to \$250,000 were covered by Federal deposit insurance. The California Government Code requires all financial institutions to secure a local government agency's deposit by pledging governmental securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the Agency. All cash held by financial institutions is, therefore, entirely insured or collateralized.

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance September 30, 2018	Increases	Decreases	Balance September 30, 2019
Equipment	\$ 2,490	\$ -	\$ -	\$ 2,490
Less accumulated depreciation	(2,490)	-	-	(2,490)
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance September 30, 2017	Increases	Decreases	Balance September 30, 2018
Equipment	\$ 2,490	\$ -	\$ -	\$ 2,490
Less accumulated depreciation	(2,490)	-	-	(2,490)
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5. RISK MANAGEMENT

The Agency is exposed to potential losses from claims arising from its business operations. The Agency maintains insurance coverage through an independent carrier with limits of \$1,000,000 per occurrence. There have been no significant reductions in insured coverage.

6. MAJOR CUSTOMERS

The Agency has one customer whose water charges represent a significant portion of extraction charges. Revenue from this customer represented 23% and 24% of operating revenue during the years ended September 30, 2019 and September 30, 2018, respectively.

7. RELATED PARTIES

During the years ended September 30, 2019 and 2018, the Agency provided water to several of the members of the board of directors of the Agency. The extraction rate per acre foot paid by the members of the board of directors is the same as the extraction rate paid by all customers of the Agency.

8. SUSTAINABLE GROUNDWATER MANAGEMENT ACT

The Sustainable Groundwater Management Act (SGMA) was approved by the State of California in 2017 to provide a framework to help protect groundwater resources. Under the requirements of the law, the Agency is required to develop and implement a groundwater sustainability plan (GSP). The Agency's GSP was approved by the California Department of Water Resources in October 2023. The Agency continues to work on compliance with the SGMA and has engaged outside consultants to assist in the implementation of the GSP.
