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

We have audited the financial statements of the Mound Basin Groundwater Sustainability Agency (the Agency) as of and for the year ended June 30, 2021, and the statement of revenues and expenses and cash flows for the year ended June 30, 2021 and 2020, and have issued our report thereon dated November 4, 2021. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 27, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm and our firm, have complied with all relevant ethical requirements regarding independence.

## **Significant Risks Identified**

We have identified the possibility of the following significant risks during our audit:

- Management's override of internal controls over financial reporting.
- Management's failure to recognize revenue in accordance with generally accepted accounting principles.

Although identified as significant risks, we noted no matters which caused us to modify our procedures or any matters which are required to be communicated to those charged with governance due to these identified risks.

## **Qualitative Aspects of the Agency's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

None.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Agency's financial statements relate to:

None

The financial statement disclosures are neutral, consistent, and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 4, 2021.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Agency's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards:

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This information is intended solely for the use of the Agency Council and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 4, 2021



November 4, 2021

Rogers, Anderson, Malody and Scott, LLP  
735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the financial statements of the Mound Basin Groundwater Sustainability Agency (the Agency) as of June 30, 2021 and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Agency in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 2, 2021.

### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 27, 2021, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.



- If applicable, we have a process to track the status of any audit findings and recommendations. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- If applicable, all component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All components of net position properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- All expenses have been properly classified.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With respect to the preparation of the financial statements, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.



## Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification TM (ASC) 450, *Contingencies*), and *we have not consulted a lawyer concerning litigation, claims, or assessments.*
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.



- The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- If applicable, we have disclosed to you all guarantees, whether written or oral, under which the Agency is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

*Bryan Bondy*

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Bryan Bondy  
Executive Director

*Glenn Shephard*

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Glenn Shephard  
Director and Treasurer





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## REPORT ON 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

### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
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Leena Shanbhag, CPA, MST, CGMA  
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Jenny W. Liu, CPA, MST

### *Independent Auditor's Report*

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

### MANAGERS / STAFF

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mound Basin Groundwater Sustainability Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 4, 2021.

### *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 opinions 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 Agency'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.

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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 may exist that have not been identified.

### ***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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 4, 2021



**MoundBasin**

GROUNDWATER SUSTAINABILITY AGENCY

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

**JUNE 30, 2021**

# Mound Basin Groundwater Sustainability Agency

## Table of Contents For the year ended June 30, 2021

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	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12



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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

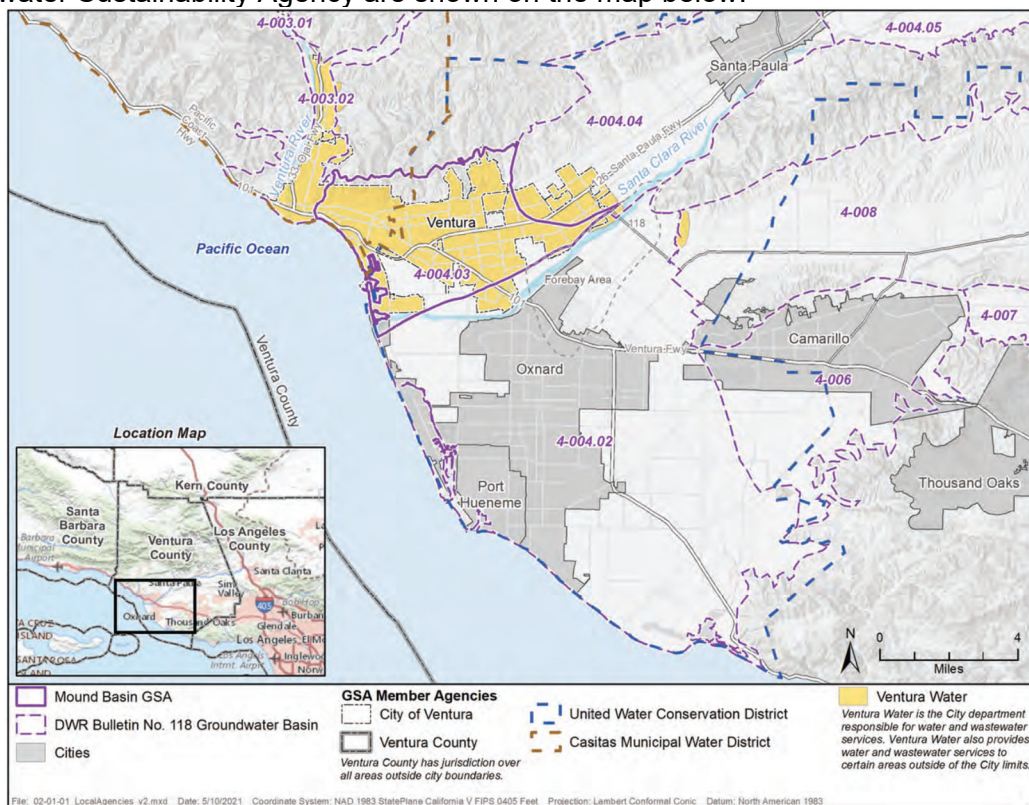
## Management's Discussion and Analysis For the year ended June 30, 2021

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

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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

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#### 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
<b>Assets</b>				
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%
<b>Liabilities</b>				
Current liabilities	18,137	45,140	(27,003)	-59.82%
Noncurrent liabilities	<u>55,000</u>	<u>55,000</u>	-	0.00%
Total liabilities	<u>73,137</u>	<u>100,140</u>	<u>(27,003)</u>	-26.97%
<b>Net position</b>				
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	<u>412,430</u>	<u>245,449</u>	<u>166,981</u>
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

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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**

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**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

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#### 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>\$ 360,140</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

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	<u>2021</u>	<u>2020</u>
<b>Operating revenues</b>		
Groundwater extraction fees	\$ 134,920	\$ 170,392
Total operating revenues	<u>134,920</u>	<u>170,392</u>
<b>Operating expenses</b>		
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>
<b>Nonoperating revenues (expenses)</b>		
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>
<b>Cash flows from operating activities:</b>		
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>
<b>Cash flows from noncapital financing activities:</b>		
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>
<b>Schedule of non-cash operating, noncapital and capital related financing and investing activities</b>	\$ -	\$ -

*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

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### 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

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#### 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.