

**OJAI BASIN GROUNDWATER MANAGEMENT
AGENCY
FINANCIAL STATEMENTS**

Years Ended September 30, 2017 and 2016

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OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
Governing Board of Directors
As of September 30, 2017

<u>Name</u>	<u>Office</u>
Board Members:	
Dan Breen	President
Jim Finch	Director
Russ Baggerly	Director
Johnny Johnston	Director
Management:	
Cece VanDerMeer	Secretary/Treasurer



SOARES, SANDALL, BERNACCHI & PETROVICH, LLP CERTIFIED PUBLIC ACCOUNTANTS

FRANK J. SOARES (1908-1991)
GEORGE E. SANDALL (1917-2019)
THOMAS W. PETROVICH (1937-2013)
DEBRA N. DETTENMAYER (1955-2014)

PARTNERS
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JUAN M. SOTO, C.P.A. SHARON I. ROBERTS, C.P.A.
PRAJESH (RAJ) ACHARYA, C.P.A. TATSIANA D. SHAPIRO, C.P.A.

CONSULTANTS
BERNARD D. BERNACCHI, C.P.A. KENNETH R. MERIDETH, C.P.A.
RICK B. SMITH, C.P.A.

Board of Directors
Ojai Basin Groundwater Management Agency
Ojai, California

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Ojai Basin Groundwater Management Agency as of and for the years ended September 30, 2017 and 2016, and the related notes to the 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ojai Basin Groundwater Management Agency as of the year ended September 30, 2017 and 2016, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages four through seven 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration Ojai Basin Groundwater Management 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 to describe the scope of our testing 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 Ojai Basin Groundwater Management Agency's internal control over financial reporting and compliance.

Soares, Sandall, Bernacchi & Petrovich, LLP

SOARES, SANDALL, BERNACCHI & PETROVICH, LLP
Certified Public Accountants

March 6, 2020

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
For Years Ended September 30, 2017, and 2016

The following is a summary of the net position of the Agency and changes in the net position for the years ended September 30, 2017 and 2016.

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 26,228	\$ 120,298
Accounts receivable	34,990	16,041
Other receivables	500	500
TOTAL CURRENT ASSETS	61,718	136,839
CAPITAL ASSETS, net	-	-
TOTAL ASSETS	61,718	136,839
LIABILITIES AND NET POSITION		
Accounts payable	4,208	2,524
Payroll liabilities	1,076	955
TOTAL LIABILITIES	5,284	3,479
NET POSITION		
Investment in capital assets	-	-
Unrestricted net position	56,434	133,360
TOTAL NET POSITION	56,434	133,360
TOTAL LIABILITIES AND NET POSITION	\$ 61,718	\$ 136,839

The decrease in net position at September 30, 2017 and 2016 of \$76,926, and \$38,430, respectively, is a result of operating expenses exceeding operating revenues and non-operating revenues.

In September 2015, California Senate Bill No. 13 was passed and became law January 1, 2016. Under the requirements of the law, the Agency must adopt a groundwater sustainability plan subject to oversight by the California Department of Water Resources. During the years ended September 30, 2017 and 2016, the Agency incurred compliance costs in connection with the plan. These expenses are reported as professional fees on the statements of activities and changes in net position in these financial statements.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
For Years Ended September 30, 2017, and 2016

For the year ended September 30, 2017, there was a 26% increase in extraction rate revenue due to an increase in water extraction and an increase in the extraction rate from \$15 per acre feet to \$25 per acre feet in April, 2017. For the year ended September 30, 2016 there was a decrease in extraction revenue of 8% due to a trend of decreasing water extraction.

Revenue generated from operations produces approximately 98% of total revenue while non-operating revenue such as interest makes up the remainder. The following summary of revenues by source is provided for the past two years.

	<u>Total Revenue</u>	
	2017	2016
<u>Operating Revenues</u>		
Extraction charges	\$ 71,032	\$ 51,629
Recordation fee	2,985	3,040
Total Operating Revenue	\$ 74,017	\$ 54,669
 <u>Non-operating Revenue</u>		
Interest income	\$ 68	\$ 187
Total Non-Operating Revenue	\$ 68	\$ 187

Operating expenses for the years ended September 30, 2017 and 2016 were \$98,264 and \$84,062 respectively.

Actual Results vs. Budget

The Board of Directors adopts an annual budget by September 30 of each year for the following fiscal year beginning on October 1st. Performance is monitored throughout the year, comparing actual performance results to the budget. The following is a summary of actual results in comparison to the budget for the years ended September 30, 2017 and 2016.

	Year Ended September 30, 2017		
	Year-Ended Actual	Approved Budget	% Change
Revenue	\$ 74,017	\$ 55,500	33%
Expenditures			
Advertising	\$ 113	\$ -	100%
Audit	548	600	-9%
Basin model study	-	5,000	-100%
Insurance	5,971	6,250	-4%
Other operating expenses	3,205	5,000	-36%
Office expenses	6,209	5,060	23%
Payroll expense	33,100	35,000	-5%
Professional expenses	96,842	44,500	118%
Rent	5,023	4,400	14%
Total Expenditure	\$ 151,011	\$ 105,810	

See accompanying notes to financial statements and independent auditors' report.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
For Year Ended September 30, 2017 and 2016

Year Ended June 30, 2016

	<u>Year-Ended Actual</u>	<u>Approved Budget</u>	<u>% Change</u>
Revenue	<u>\$ 54,669</u>	<u>\$ 56,878</u>	-4%
Expenditures			
Advertising	456	-	100%
Audit	6,925	6,925	0%
Depreciation	49	-	100%
Insurance	5,785	5,793	0%
Other operating expenses	713	2,925	-76%
Office expenses	4,577	4,464	3%
Payroll expense	31,853	31,868	0%
Professional expenses	38,628	36,738	5%
Rent	<u>4,296</u>	<u>4,295</u>	0%
Total Expenditure	<u>\$ 93,282</u>	<u>\$ 93,008</u>	

Economic Factors: The maximum extraction rate that is permitted under the law is \$25 per acre feet of water extracted. Given the history shown in the current annual yield from the basin of approximately 4,000 acre feet, the maximum budget would be approximately \$100,000. The extraction rate for the year ended September 30, 2017 and 2016 was \$15 per acre foot of water extracted. In April 2017 the board approved an increase in extraction fees to \$25 per acre feet of water extracted.

Request for information: This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any information provided in this report or request for additional financial information should be addressed to the Secretary/Treasurer, P O Box 1779, Ojai, California 93023

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
STATEMENTS OF NET POSITION
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 26,228	\$ 120,298
Accounts receivable	34,990	16,041
Other receivables	<u>500</u>	<u>500</u>
TOTAL CURRENT ASSETS	61,718	136,839
CAPITAL ASSETS, net	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>61,718</u>	<u>136,839</u>
LIABILITIES AND NET POSITION		
Accounts payable	4,208	2,524
Payroll liabilities	<u>1,076</u>	<u>955</u>
TOTAL LIABILITIES	<u>5,284</u>	<u>3,479</u>
NET POSITION		
Investment in capital assets	-	-
Unrestricted net position	<u>56,434</u>	<u>133,360</u>
TOTAL NET POSITION	<u>56,434</u>	<u>133,360</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 61,718</u>	<u>\$ 136,839</u>

See accompanying notes to financial statements and independent auditors' report.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
For Years Ended September 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Extraction charges	\$ 74,017	\$ 54,669
Other income	-	-
TOTAL OPERATING REVENUES	74,017	54,669
OPERATING EXPENSES		
Advertising	\$ 113	\$ 456
Audit	548	6,925
Depreciation	-	49
Insurance	5,971	5,785
Other operating expenses	2,271	713
Office expenses	6,209	4,577
Payroll expense	33,100	31,853
Professional expenses	96,842	38,628
Rent	5,023	4,296
Small tools	934	-
TOTAL OPERATING EXPENSES	151,011	93,282
OPERATING DEFICIT	(76,994)	(38,613)
NON-OPERATING REVENUES		
Interest	68	187
TOTAL NON-OPERATING REVENUE	68	187
CHANGE IN NET POSITION	(76,926)	(38,426)
NET POSITION, BEGINNING OF YEAR	133,360	171,786
NET POSITION, END OF YEAR	\$ 56,434	\$ 133,360

See accompanying notes to financial statements and independent auditors' report.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
STATEMENTS OF CASH FLOWS
For Year Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from User Charges	\$ 55,068	\$ 59,244
Cash Payments to Employees	(32,980)	(31,797)
Cash Payments for Operating Expenses	(116,226)	(63,814)
NET CASH USED BY OPERATING ACTIVITIES	(94,138)	(36,367)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 -	 -
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	68	187
NET CASH PROVIDED BY INVESTING ACTIVITIES	68	187
NET DECREASE IN CASH AND CASH EQUIVALENTS	(94,070)	(36,180)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	120,298	156,478
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 26,228	\$ 120,298
 CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ (76,994)	\$ (38,613)
Adjustments to Reconcile Decrease in Net Position to Net Cash Provided by Operating Activities:		
Depreciation	-	49
(Increase) decrease in:		
Accounts receivables	(18,949)	1,894
Increase (decrease) in:		
Accounts payable	1,684	251
Payroll liabilities	121	52
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (94,138)	\$ (36,367)

See accompanying notes to financial statements and independent auditors' report.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization. A coalition of growers, public agencies, water utilities and pumpers was formed with the goal of protecting the Ojai groundwater basin. Their efforts culminated with the enactment of California Senate Bill No. 534, the Ojai Basin Groundwater Agency Act, creating the Ojai Basin Groundwater Management Agency. The Act defined the powers of the Agency to study, monitor and regulate the extraction of groundwater from the Ojai Basin.

Reporting Entity. The Agency's reporting entity includes all significant operation and revenue sources over which the Agency's Board of Directors exercises oversight responsibility and is determined under the criteria established by the National Council on Governmental Accounting, Statement 3, as adopted by GASB. 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.

Basis of Accounting. The Ojai Basin Groundwater Management Agency is accounted for as an Enterprise Fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the expenses, including depreciation, 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 revenues 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 an enterprise fund, the Agency uses economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are incurred, and expenses are recognized when they are incurred, whether or not paid.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The Agency has elected to apply all applicable GASB pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict FASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The net position is segregated into invested in capital, restricted net assets and unrestricted net position.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Agency considers any purchase of highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash. In accordance with the Governmental Accounting Standards Board Statement 3 (i.e. Deposits with Financial Institutions, GASB 3), the cash is to be categorized to indicate the level of credit risk assumed at year-end. All cash is insured or registered and held by the Agency or its agent in the Agency's name. Accordingly, said cash would be included in "Category 1" as defined by GASB 3.

The carrying amount of cash in banks was \$26,228, and \$120,298 as of September 30, 2017 and 2016, respectively.

Accounts Receivable. Accounts receivable as reflected in the financial statements are from customers whose property is located within the County of Ventura. There is no allowance for doubtful accounts as the amounts are deemed collectible by the Agency.

Equipment and Depreciation. Expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized. Costs of assets sold, retired or otherwise disposed of have been eliminated from the accounts, and gains or losses on disposition are included in operations.

The cost of equipment is depreciated over the estimated life of the assets from date of acquisition, five to seven years, based on the straight-line method of depreciation.

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

Budget. The Agency is encouraged to adopt annual budgets. Each budget is presented on the basis of the funding sources available.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The Agency prepares a tentative budget for the next succeeding fiscal year, beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Agency adopts a preliminary budget for the expenditures of the Agency.
3. Prior to July 1, the final budget is adopted by the Agency. Once a budget is approved, it can be amended by the Board of Directors.

Subsequent Events. Subsequent events have been evaluated through March 6, 2020 which is the date the financial statements were available to be issued. In September 2015, California Senate Bill No. 13 was passed and became law January 1, 2016. Under the requirements of the law, the Agency must adopt a groundwater sustainability plan subject to oversight by the California Department of Water Resources. As of August 22, 2016, the Agency has incurred compliance costs of \$24,438 relating to this legislation.

NOTE 2 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft or, errors and omissions; injuries to employees; and natural disasters. The Agency maintains insurance coverage through an independent carrier with limits of \$1,000,000 per occurrence, \$3,000,000 aggregate general liability and \$1,000,000 fire damage per fire.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE 3 - CONCENTRATIONS

Credit Risk

The Agency maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

Water usage by one of the Agency's customers represents approximately 30% of the Agency's annual extraction charges.

Other Concentrations

The Agency is not a direct water purveyor to groundwater pumpers within the Ojai Valley Basin. Its primary responsibility is to monitor and report on water conditions within the basin. With the passage of the Sustainable Groundwater Management Act in 2017, the Agency will be more engaged in oversight, monitoring and regulation of water conditions.

NOTE 4 - RELATED PARTIES

During the years ended September 30, 2017 and 2016, 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.

NOTE 5 – FIXED ASSETS

Property and equipment at September 30, 2015, September 30, 2014, and June 30, 2014 are as follows:

	2017	2016
Equipment, beginning	\$ 2,490	\$ 2,490
Total additions	-	-
Total retirements	-	-
	<u>\$ 2,490</u>	<u>\$ 2,490</u>
Total property equipment	2,490	2,490
Accumulated depreciation	(2,490)	(2,490)
Net property equipment	<u>\$ -</u>	<u>\$ -</u>
Depreciation expense	<u>\$ -</u>	<u>\$ 49</u>

NOTE 6 - SUSTAINABLE GROUNDWATER MANAGEMENT ACT

In September 2015, California Senate Bill No. 13 was passed and became law January 1, 2016. Under the requirements of the law, the Agency must adopt a groundwater sustainability plan subject to oversight by the California Department of Water Resources. During the years ended September 30, 2017 and 2016, the Agency incurred compliance costs in connection with the plan. These expenses are reported as professional fees on the statements of activities and changes in net position in these financial statements.



SOARES, SANDALL, BERNACCHI & PETROVICH, LLP CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Ojai Basin Groundwater Management Agency
Ojai, California

**Independent Auditors' 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***

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 Ojai Basin Groundwater Management Agency, as of and for the years ended September 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise Ojai Basin Groundwater Management Agency's basic financial statements, and have issued our report thereon dated March 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ojai Basin Groundwater Management Agency's internal control over financial reporting (internal control) to determine the 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 Ojai Basin Groundwater Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Ojai Basin Groundwater Management Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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, we consider the following deficiencies to be material weaknesses:

The personnel in charge of preparing the financial statements do not have sufficient expertise to prepare financial statements in accordance with generally accepted accounting policies.

The size of the Agency's accounting and administrative staff prohibits complete adherence to internal control design relating to segregation of duties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ojai Basin Groundwater Management Agency's financial statements are free of 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

This report is intended 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Soares, Sandall, Bernacchi & Petrovich, LLP

SOARES, SANDALL, BERNACCHI & PETROVICH, LLP
Certified Public Accountants

March 6, 2020