

Salinas Valley Basin Groundwater Sustainability Agency

*Financial Statements and Independent
Auditors' Reports*

For the years ended June 30, 2019 and 2018

Salinas Valley Basin Groundwater Sustainability Agency
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For the years ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Of the Salinas Valley Basin Groundwater Sustainability Agency
Carmel Valley, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salinas Valley Basin Groundwater Sustainability Agency (Agency) as of and for the years ended June 30, 2019 and 2018, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 purpose 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 opinions.

Opinions

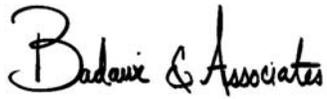
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2019 and 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Salinas Valley Basin Groundwater Sustainability Agency
Carmel Valley, California
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Other Matters

Required Supplementary Information

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.

A handwritten signature in cursive script that reads "Badawi & Associates".

Badawi & Associates, CPAs
Berkeley, California
December 12, 2019

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018

The Salinas Valley Basin Groundwater Sustainability Agency (Agency) is a Joint Powers Authority (JPA) established in 2017 under California's Sustainable Groundwater Management Act. The Agency was formed for the purpose of achieving groundwater sustainability in the Salinas Valley Groundwater Basin. The Agency is tasked with developing a comprehensive groundwater sustainability plan by 2020 and implementing the plan to achieve basin sustainability by 2040. This is the second year of financial operations.

The effort to comply with the Groundwater Management Act began in 2015 with a stakeholder assessment. The Joint Powers agreement went into effect on December 26, 2016, and the inaugural meeting of the initial Board of Directors was March 9, 2017. On August 10, 2017, the Agency Board approved a contract with Regional Government Services (RGS) for management services. The Permanent Board of Directors was sworn in on October 12, 2017. The JPA was formed by the County of Monterey, Water Resources Agency of the County of Monterey, City of Salinas, City of Gonzales, City of Soledad, City of King, Castroville Community Services District, and Monterey Regional Water Pollution Control Agency. It is governed by 11 Directors as follows: 1 from City of Salinas, 1 from South County Cities, 1 Other GSA Eligible Entity, 1 CPUC Regulated Water Co., 4 from Agriculture, 1 from Environment, and 1 member of the public.

All agency administration is outsourced to RGS which provides all staff and systems necessary for the operation of the Agency.

This section of the annual financial report presents our discussion and analysis of Agency's financial performance during the period from July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018 for comparison. Please read it in conjunction with Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

2019

- Revenues for the year were \$1,658,961 of which \$1,145,000 was from the JPA member agencies representing 100% of their commitments. The Agency received \$485,113 in California Department of Water Resources Prop 1 grant funds. The remaining revenue was investment income.
- Total expenses of \$1,546,928 are up from \$683,959 in fiscal year 2018. The increase in expenses reflect a full year and acceleration of the work on the groundwater sustainability plan. Expenses compare favorably to the final budget of \$2,663,500. The groundwater sustainability plan expenditure had the largest savings because the work is still ongoing.
- The Agency ended the year with a fund balance of \$574,284, an increase of \$112,033 over the previous year. The Agency's net position ended at \$904,945. The difference of \$330,661 between net position and fund balance is due to \$330,661 in grant funds receivable which do not count toward fund balance because the monies were not received until mid-November which was too late to be counted.

2018

- Revenues for the year were \$1,146,210 of which the JPA member agencies contributed \$1,145,000, 100% of their commitments
- Total expenses of \$683,959 compare favorably to the budget of \$1,045,206.
- The Agency ended the year with a fund balance of \$462,251, which is the Net Income for the year.
- During fiscal year 2017-2018 the Agency was awarded a Prop 1 DWR Grant in the amount of \$1,500,000, of which nothing had been claimed as of June 30.

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – *management’s discussion and analysis* (this section), the *financial statements*, and *required supplementary information*.

The financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. The Statement of Net Position and Statement of Activities are included along with Notes to the Financial Statements to clarify unique accounting policies and financial information.

The Statement of Net Position includes all of the agency’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities.

Agency reports its activities as a governmental fund. A governmental fund uses the modified accrual accounting for its activities. The changes in net position presented on the Statement of Activities are on an accrual basis. For the current year, there were was a \$330,661 differences between the Agency’s General Fund and the Statement of Net Position and Statement of Activities due to a grant revenue accrual. Following is the Agency’s **Condensed Statement of Net Position**.

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Investments	706,459	736,367
Accounts receivable	330,661	-
Prepaid expenses	1,101	3,185
Total Assets	<u>1,038,221</u>	<u>739,552</u>
Current Liabilities		
Accounts Payable	<u>133,276</u>	<u>277,301</u>
Total Liabilities	<u>133,276</u>	<u>277,301</u>
Net Position		
Unrestricted	<u>904,945</u>	<u>462,251</u>

The cash and investments balance reflect funds on deposit at the agency’s bank and invested at CalTrust. The accounts receivable reflects grants funding requests submitted to the Department of Water Resources which are awaiting reimbursement.

The only liabilities the agency has are routine monthly vendor invoices. Bills are paid twice per month and the balance showing represents invoices incurred during the fiscal year but not paid until the following month. Agency has no long-term debt.

Agency’s unrestricted net position are available to fund ongoing future expenses.

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018

Following is a Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Operating Revenues:		
Grants and contributions	1,960,774	1,145,000
Investment income	28,848	1,210
Total Revenue	1,989,622	1,146,210
Operating Expenses:		
Administrative Services	391,277	266,068
Groundwater Sustainability Plan	1,004,132	288,654
Other expenditures	151,519	129,237
Total Operating Expenses	1,546,928	683,959
Operating Income (Loss)	442,694	462,251
Beginning Net Position	462,251	-
Ending Net Position	904,945	462,251

Revenues

Grants and contributions include member contributions of \$1,145,000, the same as the previous year, as well \$815,774 in grant reimbursements. Investment earnings are considerable higher and the agency had more cash to invest and obtained better investment returns.

Expenses

The agency's operating expenses fall into three major categories: Administrative Services costs from RGS; Groundwater Sustainability plan vendor costs; and other expenses such as legal, grant writing, and other routine JPA operating expenses.

2019 - The increased expenditures are due to a full year of work on development of the groundwater sustainability plan. The biggest increase is for the consultant working on the plan.

2018 - The savings in budgeted expenditures is due to the fact that the agency did not begin expending funds until August 2018, and then began to spend slowly as the Agency geared up to full operations.

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018

ECONONIMC FACTORS AND NEXT YEAR'S BUDGET

The first two years of the agency's operations were funded by member agency contributions. Beginning in FY 2019-20 and beyond the agency will be funded by a Groundwater Sustainability Agency (GSA) fees. On February 14, 2019 the Board of Directors approved the new GSA Fee, the majority of which will be collected on the tax roll.

The reliance on the GSA Fee instead of member contributions will change the Agency's cash flow. Member contributions were generally received in July, the first month of the fiscal year. The GSA fee will be received in two parts – one in late December and one in late April, which coincide with property tax collections. Fortunately, the Agency has enough funds on hand to continue operations until the December GSA Fee collections.

FINANCIAL CONTACT

Questions concerning the information provided in this discussion and analysis and the Agency's financial statements should be addressed to:

Salinas Valley Basin Groundwater Sustainability Agency
Richard H. Averett, Treasurer
PO Box 1350
Carmel Valley, CA 93924
831-308-1508

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Net Position
June 30, 2019 and 2018

	Governmental Activities 2019	Governmental Activities 2018
ASSETS		
Cash and investments	\$ 706,459	\$ 736,367
Accounts receivable	330,661	-
Prepaid items	1,101	3,185
Total assets	1,038,221	739,552
LIABILITIES		
Accounts payable	133,276	277,301
Total liabilities	133,276	277,301
NET POSITION		
Unrestricted	904,945	462,251
Total net position	\$ 904,945	\$ 462,251

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency

Statement of Activities

For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities		
Governmental activities:						
Groundwater sustainability	\$ 1,546,928	\$ -	\$ 1,960,774	\$ 1,960,774	\$ 413,846	
Total primary government	\$ 1,546,928	\$ -	\$ 1,960,774	\$ 1,960,774	413,846	

General revenues:

Investment income	28,848
Total general revenues	28,848
Change in net position	442,694
Net position - beginning of year	462,251
Net position - end of year	\$ 904,945

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency

Statement of Activities

For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities		
Governmental activities:						
Groundwater sustainability	\$ 683,959	\$ -	\$ 1,145,000	\$ 1,145,000	\$ 461,041	
Total primary government	\$ 683,959	\$ -	\$ 1,145,000	\$ 1,145,000	461,041	

General revenues:

Investment income	1,210
Total general revenues	1,210
Change in net position	462,251
Net position - beginning of year	-
Net position - end of year	\$ 462,251

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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Salinas Valley Basin Groundwater Sustainability Agency
 Balance Sheet
 General Fund
 June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and investments	\$ 706,459	\$ 736,367
Accounts receivable	330,661	-
Prepaid items	1,101	3,185
Total assets	\$ 1,038,221	\$ 739,552
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 133,276	\$ 277,301
Total liabilities	133,276	277,301
Deferred Inflows of Resources:		
Unavailable grant revenue	330,661	-
Fund Balances:		
Unassigned	574,284	462,251
Total fund balances	574,284	462,251
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,038,221	\$ 739,552

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Balance Sheet of the General Fund
to the Statement of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balances for the General Fund	\$ 574,284	\$ 462,251
Amounts reported for governmental activities in the Statement of Net Position were different because:		
Revenues not available to pay for current obligations are deferred and recognized when available on the governmental fund financial statements.	<u>330,661</u>	<u>-</u>
Net Position of Governmental Activities	<u>\$ 904,945</u>	<u>\$ 462,251</u>

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the years ended June 30, 2019 and 2018

	2019	2018
REVENUES:		
Member contributions	\$ 1,145,000	\$ 1,145,000
Grants	485,113	-
Investment income	28,848	1,210
Total revenues	1,658,961	1,146,210
EXPENDITURES:		
Current - Groundwater sustainability:		
Administrative services	391,277	266,068
Groundwater sustainability plan	1,004,132	288,654
Other expenditures	151,519	129,237
Total expenditures	1,546,928	683,959
Net change in fund balances	112,033	462,251
FUND BALANCES:		
Beginning of year	462,251	-
End of year	\$ 574,284	\$ 462,251

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the General Fund to the Statement of Activities
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Changes in Fund Balances - General Fund	\$ 112,033	\$ 462,251
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Revenues not available to pay for current obligations are deferred and recognized when available on the governmental fund financial statements.</p>	<u>330,661</u>	<u>-</u>
Change in Net Position of Governmental Activities	<u>\$ 442,694</u>	<u>\$ 462,251</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Salinas Valley Basin Groundwater Sustainability Agency

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Salinas Valley Basin Groundwater Sustainability Agency is a Local Agency tasked with the developing a comprehensive groundwater sustainability plan by 2020 and implementing the plan to achieve basin sustainability by 2040. The Agency Board is governed by an eleven-member Board of Directors. The Board meets monthly to implement the Sustainable Groundwater Management Act in the Salinas Valley Groundwater Basin. The following is a summary of the significant accounting policies of the Salinas Valley Basin Groundwater Sustainability Agency (the Agency) in conformity with accounting principles generally accepted in the United States of America.

A. Relationship to the Regional Government Services Authority

The Regional Government Services Authority provides administrative and accounting services for the Agency and acts in a fiduciary capacity for the Agency. The Agency's activities are accounted for in its own set of financial statements.

B. Basis of Accounting and Measurement Focus

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Government - wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. The Agency has no fiduciary activities. Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with requirements of GASB Statement No. 33.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government - wide Financial Statements, Continued

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term liabilities are recorded as a liability in the government-wide financial statements, rather than as another financial source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

Fund financial statements for the Agency's governmental fund are presented after the government-wide financial statements. These statements display information about the Agency's major fund.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses an availability period of 60 days.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Member contributions and investment income associated with the current period are considered to be susceptible to accrual. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the combined balance sheet and revenue is recognized.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fund Financial Statements, Continued

Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term receivables are offset by nonspendable fund balance.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as government fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term liabilities are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

C. Activities in Major Fund

The following fund is presented as a major fund in the accompanying basic financial statements:

General Fund – all revenues have been accounted for in this fund. Expenditures of this fund include general operating expenses.

D. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. The Agency did not have any amount reported in this category as of June 30, 2019 and 2018 as the Agency did not have any capital assets as of June 30, 2019 and 2018.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments. The Agency did not have any amount reported in this category as of June 30, 2019 and 2018.

Unrestricted – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Agency’s policy is to apply restricted net position first.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Fund Balances

Fund Financial Statements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The new classification of fund balances is as follows:

Nonspendable Fund Balances

These include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, e.g., the principal of an endowment fund. Examples of "not in spendable form" include inventory, prepaid amounts, long-term notes and loans, property held for resale and other items not expected to be converted to cash. However, if the proceeds from the eventual sale or liquidation of the items would be considered restricted, committed or assigned (as defined further on) then these amounts would be included in the restricted, committed or assigned instead of the nonspendable classification. A debt service reserve fund held by a trustee is an example of fund balance in nonspendable form that is classified as restricted instead of nonspendable since the reserve is eventually liquidated to make the final debt service principal payment.

Restricted Fund Balances

Restricted fund balances have externally enforceable limitations on use. The limitations on use can be imposed by creditors, grantors, or contributors as well as by constitutional provisions, enabling legislation, laws and government regulations.

Committed Fund Balances

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (Resolution) of the Board are classified as committed fund balances.

Assigned Fund Balances

Fund balance amounts for which the Board has expressed intent for use but not taken formal action to commit are reported as assigned under GASB 54.

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. New Pronouncements

In 2019, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement did not apply to the Agency for the current fiscal year
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement did not apply to the Agency for the current fiscal year.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 and 2018 are reported as follows:

	2019	2018
	<u> </u>	<u> </u>
Cash on hand and in the banks	\$ 3,087	\$ 30,157
Money Market Account	94,800	205,176
CalTrust Funds	<u>608,572</u>	<u>501,034</u>
Total Cash and Investments	<u>\$ 706,459</u>	<u>\$ 736,367</u>
General Fund	<u>\$ 706,459</u>	<u>\$ 736,367</u>
Total Cash and Investments	<u>\$ 706,459</u>	<u>\$ 736,367</u>

A. Cash in Bank

The carrying amount of the Agency’s cash is covered by federal depository insurance 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. California law also allows institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency’s total cash deposits.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2019 and 2018

2. CASH AND INVESTMENTS, Continued

B. CalTRUST Investment Pool

The Agency is a voluntary participant in the Investment Trust of California (CalTRUST), a public joint powers agency formed to pool and invest the funds of public agencies. CalTRUST invests in fixed-income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635. Investment guidelines adopted by the board of Trustees may further restrict the types of investments that are held by the Trust. Leveraging within the Trust's portfolios is prohibited. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio.

C. Fair Value Measurements

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. None of the Agency's investments were subject to levelling disclosure. The Agency's investments were not subject to levelling disclosure.

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

<u>2019</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				
			<u>1 year or Less</u>	<u>2 years</u>	<u>3 years</u>	<u>4 years</u>	<u>5 years or More</u>
	Money Market Account	\$ 94,800	\$ 94,800	\$ -	\$ -	\$ -	\$ -
	CalTrust Funds	608,572	608,572	-	-	-	-
	Total	\$ 703,372	\$ 703,372	\$ -	\$ -	\$ -	\$ -

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2019 and 2018

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Interest Rate Risk, Continued

<u>2018</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				
			<u>1 year or Less</u>	<u>2 years</u>	<u>3 years</u>	<u>4 years</u>	<u>5 years or More</u>
	Money Market Account	\$ 205,176	\$ 205,176	\$ -	\$ -	\$ -	\$ -
	CalTrust Funds	501,034	501,034	-	-	-	-
	Total	\$ 706,210	\$ 706,210	\$ -	\$ -	\$ -	\$ -

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Concentration of Credit Risk

The Agency's investment policy contains certain limitations on the amount that can be invested in any one issuer. There were no investments other than the State Investment Pool in any issuer that represents 5% or more of the Agency's total investments as of June 30, 2019 and 2018.

Custodial Credit Risk

The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. None of the Agency's investments were subject to custodial credit risk.

REQUIRED SUPPLEMENTARY INFORMATION

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Salinas Valley Basin Groundwater Sustainability Agency
Notes to Required Supplementary Information, Budget Comparison Schedule
For the year ended June 30, 2019 and 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The Agency adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with accounting principles generally accepted in the United States of America.

Budgetary Comparison Schedule, General Fund

2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Member contributions	\$ 1,145,000	\$ 1,145,000	\$ 1,145,000	\$ -
Grants	-	1,500,000	485,113	(1,014,887)
Investment income	200	200	28,848	28,648
Total revenues	1,145,200	2,645,200	1,658,961	(986,239)
EXPENDITURES:				
Current - Groundwater sustainability:				
Administrative services	435,300	435,300	391,277	44,023
Groundwater sustainability plan	140,000	1,653,155	1,004,132	649,023
Other expenditures	492,700	575,095	151,519	423,576
Total expenditures	1,068,000	2,663,550	1,546,928	1,116,622
REVENUES OVER (UNDER) EXPENDITURES	77,200	(18,350)	112,033	130,383
Net change in fund balances	\$ 77,200	\$ (18,350)	112,033	\$ 130,383
FUND BALANCES:				
Beginning of year			462,251	
End of year			\$ 574,284	

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Required Supplementary Information, Budget Comparison Schedule
For the year ended June 30, 2019 and 2018

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, General Fund, Continued

2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Member contributions	\$ 1,145,000	\$ 1,145,000	\$ 1,145,000	\$ -
Investment income	-	200	1,210	1,010
Total revenues	<u>1,145,000</u>	<u>1,145,200</u>	<u>1,146,210</u>	<u>1,010</u>
EXPENDITURES:				
Current - Groundwater sustainability:				
Administrative services	382,224	255,500	266,068	(10,568)
Groundwater sustainability plan	228,000	424,006	288,654	135,352
Other expenditures	434,982	365,700	129,237	236,463
Total expenditures	<u>1,045,206</u>	<u>1,045,206</u>	<u>683,959</u>	<u>361,247</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>99,794</u>	<u>99,994</u>	<u>462,251</u>	<u>362,257</u>
Net change in fund balances	<u>\$ 99,794</u>	<u>\$ 99,994</u>	<u>462,251</u>	<u>\$ 362,257</u>
FUND BALANCES:				
Beginning of year			-	
End of year			<u>\$ 462,251</u>	