

# Salinas Valley Basin Groundwater Sustainability Agency

*Financial Statements and Independent  
Auditors' Reports*

*For the years ended June 30, 2020 and 2019*



Salinas Valley Basin Groundwater Sustainability Agency  
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For the years ended June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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  
Page 2

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 30-32 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.



Badawi & Associates, CPAs  
Berkeley, California  
November 12, 2020

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

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 third 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, 1 member of the public, and 1 member representing disadvantaged, small water systems.

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, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019 for comparison. Please read it in conjunction with Agency's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

2020

- Revenues for the year were \$2,153,605 of which \$1,322,056 was from charges for services, \$805,434 was received from California Department of Water Resources Prop 1 grant funds. The remaining revenue was investment income.
- Total expenses of \$1,845,873 are up from \$1,546,928 in fiscal year 2019, although finished the year under budget by \$40,271.
- The agency finished the year with a fund balance of \$882,016 an increase of \$307,732 from fiscal year 2019. The net position ended at \$1,091,259, the difference of \$209,243 between net position and fund balance is due to \$209,243 in grant funds receivable which do not count toward fund balance because the monies have not yet been received.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

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.

**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 was a \$209,243 difference 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**.



**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>	<b>Percent Change</b>
<b>Current Assets</b>					
Cash and Investments	736,367	706,459	1,037,266	330,807	47%
Accounts receivable	-	330,661	235,135	(95,526)	-29%
Prepaid expenses	3,185	1,101	899	(202)	-18%
<b>Total Assets</b>	<b>739,552</b>	<b>1,038,221</b>	<b>1,273,300</b>	<b>298,669</b>	<b>29%</b>
<b>Current Liabilities</b>					
Accounts Payable	277,301	133,276	182,041	48,765	37%
<b>Total Liabilities</b>	<b>277,301</b>	<b>133,276</b>	<b>182,041</b>	<b>48,765</b>	<b>37%</b>
<b>Net Position</b>					
Unrestricted	462,251	904,945	1,091,259	186,314	21%

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.

Following is a Condensed Statement of Activities and Changes in Net Position for the fiscal years ended 2020, 2019, and 2018,

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>	<b>Percent Change</b>
<b>Operating Revenues:</b>					
Member contributions	1,145,000	1,145,000	-	-1,145,000	-100%
Charges for services	-	-	1,322,056	1,322,056	100%
Grants	-	815,774	684,016	131,758	16%
Investment income	1,210	28,848	26,115	-2,733	-9%
Total Revenue	1,146,210	1,989,622	2,032,187	42,565	2%
<b>Operating Expenses:</b>					
Administrative Services	266,068	391,277	556,506	125,209	42%
Groundwater Sustainability Plan	288,654	1,004,132	1,065,960	715,478	6%
Other expenditures	129,237	151,519	223,407	22,282	47%
Total Operating Expenses	683,959	1,546,928	1,845,873	298,945	19%
Change in Net Position	462,251	442,694	186,314	256,380	-58%
Beginning Net Position	-	462,251	904,945	442,694	96%
Ending Net Position	462,251	904,945	1,091,259	307,732	21%

The JPA successfully instituted a fee assessment on landowners in region subject to the Groundwater Sustainability Plan, which accounts for the \$1,322,056 in charges for services. The JPA continues to receive DWR Prop 1 grant revenue totaling \$805,434. Excess cash is invested the earnings from which are reflected in the \$26,115 of investment income. .

### **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.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

2020 – Expenses continued to grow as the fee assessment was developed, significant resources were committed to the groundwater sustainability plan, and some staffing growth occurred to manage the activities and pursue additional grant funding.

2019 - The increased expenditures versus 2018 was 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.

**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 was collected on the tax roll. Additional grant opportunities have been identified, and in May 2020 the JPA was awarded a \$3,053,000 grant under DWR Prop 68.

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

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## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# Salinas Valley Basin Groundwater Sustainability Agency

## Statement of Net Position

June 30, 2020 and 2019

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	Governmental Activities 2020	Governmental Activities 2019
<b>ASSETS</b>		
Cash and investments	\$ 1,037,266	\$ 706,459
Accounts receivable	235,135	330,661
Prepaid items	899	1,101
<b>Total assets</b>	<b>1,273,300</b>	<b>1,038,221</b>
<b>LIABILITIES</b>		
Accounts payable	182,041	133,276
<b>Total liabilities</b>	<b>182,041</b>	<b>133,276</b>
<b>NET POSITION</b>		
Unrestricted	1,091,259	904,945
<b>Total net position</b>	<b>\$ 1,091,259</b>	<b>\$ 904,945</b>

See accompanying Notes to Basic Financial Statements.

# Salinas Valley Basin Groundwater Sustainability Agency

## Statement of Activities

For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position		
<b>Governmental activities:</b>						<b>Governmental Activities</b>
Groundwater sustainability	\$ 1,845,873	\$ 1,322,056	\$ 684,016	\$ 2,006,072	\$ 160,199	
<b>Total primary government</b>	<u>\$ 1,845,873</u>	<u>\$ 1,322,056</u>	<u>\$ 684,016</u>	<u>\$ 2,006,072</u>	<u>160,199</u>	

**General revenues:**

Investment income	26,115
<b>Total general revenues</b>	<u>26,115</u>
<b>Change in net position</b>	186,314
<b>Net position - beginning of year</b>	<u>904,945</u>
<b>Net position - end of year</b>	<u>\$ 1,091,259</u>

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)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
Groundwater sustainability	\$ 1,546,928	\$ -	\$ 1,960,774	\$ 1,960,774	\$ 413,846
<b>Total primary government</b>	<b>\$ 1,546,928</b>	<b>\$ -</b>	<b>\$ 1,960,774</b>	<b>\$ 1,960,774</b>	<b>413,846</b>

**General revenues:**

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

See accompanying Notes to Basic Financial Statements.

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**FUND FINANCIAL STATEMENTS**

Salinas Valley Basin Groundwater Sustainability Agency  
 Balance Sheet  
 General Fund  
 June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 1,037,266	\$ 706,459
Accounts receivable	235,135	330,661
Prepaid items	899	1,101
<b>Total assets</b>	<b>\$ 1,273,300</b>	<b>\$ 1,038,221</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 182,041	\$ 133,276
<b>Total liabilities</b>	<b>182,041</b>	<b>133,276</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable grant revenue	209,243	330,661
<b>Fund Balances:</b>		
Unassigned	882,016	574,284
<b>Total fund balances</b>	<b>882,016</b>	<b>574,284</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,273,300</b>	<b>\$ 1,038,221</b>

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, 2020 and 2019**

	2020	2019
<b>Total Fund Balances for the General Fund</b>	<b>\$ 882,016</b>	<b>\$ 574,284</b>
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.	209,243	330,661
<b>Net Position of Governmental Activities</b>	<b>\$ 1,091,259</b>	<b>\$ 904,945</b>

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, 2020 and 2019**

	2020	2019
<b>REVENUES:</b>		
Member contributions	\$ -	\$ 1,145,000
Charges for services	1,322,056	-
Grants	805,434	485,113
Investment income	26,115	28,848
<b>Total revenues</b>	<b>2,153,605</b>	<b>1,658,961</b>
<b>EXPENDITURES:</b>		
Current - Groundwater sustainability:		
Administrative services	556,506	391,277
Groundwater sustainability plan	1,065,960	1,004,132
Other expenditures	223,407	151,519
<b>Total expenditures</b>	<b>1,845,873</b>	<b>1,546,928</b>
<b>Net change in fund balances</b>	<b>307,732</b>	<b>112,033</b>
<b>FUND BALANCES:</b>		
Beginning of year	574,284	462,251
End of year	<b>\$ 882,016</b>	<b>\$ 574,284</b>

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Net Changes in Fund Balances - General Fund</b>	\$ 307,732	\$ 112,033
<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>(121,418)</u>	<u>330,661</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 186,314</u>	<u>\$ 442,694</u>

See accompanying Notes to Basic Financial Statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**Salinas Valley Basin Groundwater Sustainability Agency**  
**Notes to Basic Financial Statements**  
**For the years ended June 30, 2020 and 2019**

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**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, 2020 and 2019**

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**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, 2020 and 2019**

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**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, 2020 and 2019, respectively.

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, 2020 and 2019.

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, 2020 and 2019**

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**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, 2020 and 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*G. New Pronouncements*

In 2020, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance* – The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Agency has elected to implement the provisions of all GASB Statements based on the new effective dates.

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2020 and 2019 are reported as follows:

	2020	2019
Cash on hand and in the banks	\$ 3,605	\$ 3,087
Money Market Account	101,832	94,800
CalTrust Funds	931,829	608,572
Total Cash and Investments	\$ 1,037,266	\$ 706,459
General Fund	\$ 1,037,266	\$ 706,459
Total Cash and Investments	\$ 1,037,266	\$ 706,459

*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, 2020 and 2019**

**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>2020</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	\$ 101,832	\$ 101,832	\$ -	\$ -	\$ -	\$ -
	CalTrust Funds	931,829	931,829	-	-	-	-
	<b>Total</b>	<b>\$1,033,661</b>	<b>\$1,033,661</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Salinas Valley Basin Groundwater Sustainability Agency**  
**Notes to Basic Financial Statements, Continued**  
**For the years ended June 30, 2020 and 2019**

**2. CASH AND INVESTMENTS, Continued**

*D. Risk Disclosures, Continued*

Interest Rate Risk, Continued

<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	-	-	-	-
	<b>Total</b>	<b>\$ 703,372</b>	<b>\$ 703,372</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2020 and 2019.

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.

**3. COVID-19 PANDEMIC**

During December 2019, the Novel corona Virus Disease (COVID-19) was discovered. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, California State Governor Gavin Newsom proclaimed a State of Emergency as a result of the threat of the COVID-19 in the State of California which led to a mandated shelter in place order. Although there has been no direct financial impact on the Agency so far, management are continuing to monitor the financial effect it may potentially have on the coming years.



**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, 2020 and 2019**

**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

2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Charges for services - GSA fee	\$ 1,200,000	\$ 1,298,000	\$ 1,322,056	\$ 24,056
Grants	-	732,488	805,434	72,946
Investment income	1,000	9000	26,115	17,115
<b>Total revenues</b>	<b>1,201,000</b>	<b>2,039,488</b>	<b>2,153,605</b>	<b>114,117</b>
<b>EXPENDITURES:</b>				
Current - Groundwater sustainability:				
Administrative services	624,000	659,000	556,506	102,494
Groundwater sustainability plan	141,500	824,644	1,065,960	(241,316)
Other expenditures	425,500	402,500	223,407	179,093
<b>Total expenditures</b>	<b>1,191,000</b>	<b>1,886,144</b>	<b>1,845,873</b>	<b>40,271</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,000</b>	<b>153,344</b>	<b>307,732</b>	<b>154,388</b>
<b>Net change in fund balances</b>	<b>\$ 10,000</b>	<b>\$ 153,344</b>	<b>307,732</b>	<b>\$ 154,388</b>
<b>FUND BALANCES:</b>				
Beginning of year			574,284	
End of year			\$ 882,016	

**Salinas Valley Basin Groundwater Sustainability Agency**  
**Notes to Required Supplementary Information, Budget Comparison Schedule**  
**For the year ended June 30, 2020 and 2019**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

Budgetary Comparison Schedule, General Fund, Continued

2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
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
<b>Total revenues</b>	<b>1,145,200</b>	<b>2,645,200</b>	<b>1,658,961</b>	<b>(986,239)</b>
<b>EXPENDITURES:</b>				
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
<b>Total expenditures</b>	<b>1,068,000</b>	<b>2,663,550</b>	<b>1,546,928</b>	<b>1,116,622</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>77,200</b>	<b>(18,350)</b>	<b>112,033</b>	<b>130,383</b>
<b>Net change in fund balances</b>	<b>\$ 77,200</b>	<b>\$ (18,350)</b>	<b>112,033</b>	<b>\$ 130,383</b>
<b>FUND BALANCES:</b>				
Beginning of year			462,251	
End of year			\$ 574,284	