

Salinas Valley Basin Groundwater Sustainability Agency

Carmel Valley, California

Basic Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020

Salinas Valley Basin Groundwater Sustainability Agency
Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salinas Valley Basin Groundwater Sustainability Agency, California (the "Agency"), as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

2020 Financial Statements

The Agency's basic financial statements for the year ended June 30, 2020, were audited by other auditors whose report thereon November 12, 2020, expressed an unmodified opinion.

The PwC Group, LLP

Walnut Creek, California
February 28, 2022

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

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 2021 and implementing the plan to achieve basin sustainability by 2040. This is the fourth 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 Regional Government Services (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, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020 for comparison. Please read it in conjunction with Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

2021

- Revenues for the year were \$3,419,900 of which \$1,311,855 was from charges for services, \$2,273,169 was received from California Department of Water Resources grant funds. The remaining revenue was investment income.
- Total expenses of \$3,474,041 are up from \$1,845,873 in fiscal year 2020 due to preparation of the remaining Groundwater Sustainability Plans.
- The agency finished the year with a fund balance of \$827,875 a decrease of \$54,141 from fiscal year 2020. The net position ended at \$1,205,171, the difference of \$377,296 between net position and fund balance is due to \$377,296 in grant funds receivable which do not count toward fund balance because the monies have not yet been received.

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.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021 AND 2020**

- 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.

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 \$377,296 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**.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Current Assets					
Cash and Investments	706,459	1,037,266	144,181	(893,085)	-86%
Accounts Receivable	330,661	235,135	1,578,028	1,342,893	571%
Prepaid Expenses	<u>1,101</u>	<u>899</u>	<u>72</u>	<u>(827)</u>	<u>-92%</u>
Total Assets	1,038,221	1,273,300	1,722,281	448,981	35%
Current Liabilities					
Accounts Payable	<u>133,276</u>	<u>182,041</u>	<u>517,110</u>	<u>335,069</u>	<u>184%</u>
Total Liabilities	133,276	182,041	517,110	335,069	184%
Net Position					
Unrestricted	<u>904,945</u>	<u>1,091,259</u>	<u>1,205,171</u>	<u>113,912</u>	<u>10%</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. Following is a **Condensed Statement of Activities and Changes in Net Position** for the fiscal years ended 2021, 2020, and 2019.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021 AND 2020**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenue:					
Member Contributions	1,145,000	-		-	
Charges for services	-	1,322,056	1,311,855	(10,201)	-1%
Grants	815,774	684,016	2,273,169	1,589,153	232%
Investment Income	28,848	26,115	2,929	(23,186)	-89%
Total Revenue	<u>1,989,622</u>	<u>2,032,187</u>	<u>3,587,953</u>	<u>1,555,766</u>	<u>77%</u>
Operating Expenses:					
Administrative services	391,277	556,506	587,672	31,166	6%
Groundwater Sustainability Plan	1,004,132	1,065,960	2,550,478	1,484,518	139%
Other Expenditures	151,519	223,407	335,891	112,484	50%
Total Operating Expenses	<u>1,546,928</u>	<u>1,845,873</u>	<u>3,474,041</u>	<u>1,628,168</u>	<u>88%</u>
Change in Net Position	442,694	186,314	113,912	(72,402)	-39%
Beginning Net Position	462,251	904,945	1,091,259	186,314	21%
Ending Net Position	<u>904,945</u>	<u>1,091,259</u>	<u>1,205,171</u>	<u>113,912</u>	<u>10%</u>

The JPA successfully instituted a fee assessment on landowners in the region subject to the Groundwater Sustainability Plan, which accounts for the \$1,311,855 in charges for services. The JPA continues to receive DWR grant revenue totaling \$2,105,116. The increase in grant revenue is due to the utilization of the DWR grants to complete the Groundwater Sustainability Plans. Excess cash is invested the earnings from which are reflected in the \$2,929 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.

2021 – The increase in Groundwater Sustainability Plan expenses is due to the effort required to complete the remaining GSPs by January 31, 2022 as required by law.

2020 - The increased expenditures versus 2019 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) fee, the majority of which was collected on the tax roll. For FY 20-21 the fee did not increase. For FY 21-22 the fee increased only slightly. In May 2020 the JPA was awarded a \$3,053,000 grant under DWR Prop 68. For FY 22-23 the GSA is expecting to receive a \$7.6 million SGMA implementation grant.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021 AND 2020**

The GSA fee is 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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Salinas Valley Basin Groundwater Sustainability Agency
Statements of Net Position
June 30, 2021 and 2020

	<u>Governmental Activities 2021</u>	<u>Governmental Activities 2020</u>
ASSETS		
Cash and investments	\$ 144,181	\$ 1,037,266
Accounts receivable	1,578,028	235,135
Prepaid items	<u>72</u>	<u>899</u>
Total Assets	<u>1,722,281</u>	<u>1,273,300</u>
LIABILITIES		
Accounts payable	<u>517,110</u>	<u>182,041</u>
Total Liabilities	<u>517,110</u>	<u>182,041</u>
NET POSITION		
Unrestricted	<u>1,205,171</u>	<u>1,091,259</u>
Total Net Position	<u><u>\$ 1,205,171</u></u>	<u><u>\$ 1,091,259</u></u>

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government Activities:				
Groundwater sustainability	\$ 3,474,041	\$ 1,311,855	\$ 2,273,169	\$ 110,983
Total Governmental Activities	<u>\$ 3,474,041</u>	<u>\$ 1,311,855</u>	<u>\$ 2,273,169</u>	110,983
General Revenues:				
Investment income				2,929
Total general revenues				<u>2,929</u>
Change in net position				113,912
Net position - beginning				<u>1,091,259</u>
Net position - ending				<u><u>\$ 1,205,171</u></u>

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government Activities:				
Groundwater sustainability	\$ 1,845,873	\$ 1,322,056	\$ 684,016	\$ 160,199
Total Governmental Activities	<u>\$ 1,845,873</u>	<u>\$ 1,322,056</u>	<u>\$ 684,016</u>	160,199
General Revenues:				
Investment income				26,115
Total general revenues				<u>26,115</u>
Change in net position				186,314
Net position - beginning				<u>904,945</u>
Net position - ending				<u><u>\$ 1,091,259</u></u>

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FUND FINANCIAL STATEMENTS

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Salinas Valley Basin Groundwater Sustainability Agency
Balance Sheet
Governmental Fund
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and investments	\$ 144,181	\$ 1,037,266
Accounts receivable	1,578,028	235,135
Prepaid items	72	899
Total Assets	\$ 1,722,281	\$ 1,273,300
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Accounts payable and accrued liabilities	\$ 517,110	\$ 182,041
Total Liabilities	517,110	182,041
DEFERRED INFLOWS OF RESOURCES		
Unavailable grant revenue	377,296	209,243
Total Deferred Inflows of Resources	377,296	209,243
FUND BALANCE:		
Unassigned	827,875	882,016
Total Fund Balance	827,875	882,016
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,722,281	\$ 1,273,300

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Balance Sheet - Governmental Fund
to the Government-Wide Statement of Net Position
June 30, 2021 and 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:

	2021	2020
Fund balance - total governmental fund - Balance Sheet	\$ 827,875	\$ 882,016
Unavailable revenues recorded in the governmental fund financial statements resulting in activities in which revenues were earned but funds were not available were recorded as revenues in the Government-Wide Financial Statements.	377,296	209,243
Net position of governmental activities - Statement of Net Position	\$ 1,205,171	\$ 1,091,259

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Years Ended June 30, 2021 and 2020

	2021	2020
REVENUES		
Charges for services	\$ 1,311,855	\$ 1,322,056
Grants	2,105,116	805,434
Investment income	2,929	26,115
Total Revenues	3,419,900	2,153,605
EXPENDITURES		
Current - Groundwater sustainability:		
Administrative services	587,672	556,506
Groundwater sustainability plan	2,550,478	1,065,960
Other expenditures	335,891	223,407
Total Expenditures	3,474,041	1,845,873
Change in fund balance	(54,141)	307,732
Fund Balance - beginning of year	882,016	574,284
Fund Balance - end of year	\$ 827,875	\$ 882,016

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund to the Government-Wide Statement of Activities
For the Years Ended June 30, 2021 and 2020

Amounts reported for governmental activities in the Statement of Activities are different because:

	2021	2020
Net change in fund balance - governmental fund	\$ (54,141)	\$ 307,732
Revenues not available to pay for current obligations are deferred and recognized when available on the governmental fund financial statements.	168,053	(121,418)
Change in net position of governmental activities - Statement of Activities	\$ 113,912	\$ 186,314

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Salinas Valley Basin Groundwater Sustainability Agency (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.

B. Relationship to the Regional Government Services Agency

The Regional Government Services Agency 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.

C. Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Fees and fines are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when a liability is incurred.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Governmental funds are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

In the fund financial statements, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Fees and fines are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Agency considers items available if received within nine-months of year end, for voluntary non-exchange transactions such as federal and state grants and government-mandated non-exchange transactions.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

The Agency reports items as deferred inflows of resources when all eligibility requirements are met except for timing requirements or resources recognized as assets that do not meet the availability criterion for recognition as revenue in governmental funds.

The Agency reports the following major governmental fund:

General Fund

The general fund is the Agency's primary operating fund. It accounts for all financial resources of the general government.

D. Cash, Cash Equivalents, and Investments

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the statement of net position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Deferred Inflows of Resources

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

In subsequent periods, when both revenue recognition criteria (“*measurable*” and “*available*”) are met, or when the Agency has a legal claim to the resources, the Deferred Inflows is removed from the balance sheet and revenue is recognized.

F. Net Position

Net position of the Agency classified into three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation plus deferred amounts on refunding, and reduced by the outstanding balance of notes or borrowing that are attributable to the acquisition of the assets, construction, or improvement of these assets. The Agency did not have any amount reported in this category as of June 30, 2021 and June 30, 2020.

Restricted net position – this component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Agency did not have any amount reported in this category as of June 30, 2021 and June 30, 2020.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “net investment in capital assets”, or “restricted net position”.

G. Fund Balance

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, the following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable Fund Balance: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.

Restricted Fund Balance: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

Committed Fund Balance: Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the governing board). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the governing board.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Fund Balance (Continued)

Assigned Fund Balance: Amounts are constrained by the Agency’s intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority.

Unassigned Fund Balance: Amounts represent fund balance that has not been restricted, committed, or assigned and may be utilized by the Agency for any purpose.

It is the Agency’s policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

Cash and investments at June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Demand deposits	\$ 17,001	\$ 3,605
Money Market Account	23,549	101,832
CalTrust Funds	103,631	931,829
Total cash and investments	\$ 144,181	\$ 1,037,266

A. Demand Deposits

As of June 30, 2021, the carrying amount of demand deposits was \$17,001 and the bank balance was \$32,790 compared to \$3,605 and \$144,121 at June 30, 2020, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the Agency’s name as discussed below under *Disclosures Relating Custodial Credit Risk*.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

B. Investments

Under provisions of the Agency’s investment policy, and in accordance with Section 53601 of the California Government Code, the Agency may deposit and invest in the following:

- Local Agency Bonds
- U.S. Treasury Obligation
- U.S. Agency Securities
- Negotiable Certificates of Deposit
- CalTrust Investment Pool
- Local Agency Investment Fund

C. 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 (in relation to the amortized cost of that portfolio). As of June 30, 2021 and 2020, the Agency had \$23,549 and \$101,832, respectively, invested in CalTrust.

D. Fair Value Measurement

The following is a summary of the fair value hierarchy of investments held by the Agency as of June 30, 2021 and 2020:

	2021	2020
Investments not subject to fair value hierarchy:		
Money Market Account	\$ 23,549	\$ 101,832
CalTrust Funds	103,631	931,829
Total investments	\$ 127,180	\$ 1,033,661

E. Risk Disclosures

Disclosures Relating to 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 is to changes in market interest rates. One of the ways that an 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 flow and liquidity needed for operations.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (in Years) Less Than 1 Year</u>
Money Market Account	\$ 23,549	\$ 23,549
CalTrust Funds	103,631	103,631
Total	<u>\$ 127,180</u>	<u>\$ 127,180</u>

June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (in Years) Less Than 1 Year</u>
Money Market Account	\$ 101,832	\$ 101,832
CalTrust Funds	931,829	931,829
Total	<u>\$ 1,033,661</u>	<u>\$ 1,033,661</u>

Disclosures Relating to 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. The monies held in the CalTrust are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

Disclosures Relating to Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments for the year ended June 30, 2021 and 2020.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Custodial Credit Risk (Continued)

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021 and 2020, \$0 and \$0 of the Agency's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Note 3 – Risk Management

For the year ended June 30, 2021, liability are purchased from commercial insurance companies.

Insured Persons and Organizations Coverage

Limit: \$2 million in aggregate, \$1,000 per occurrence self-insured retention.

Note 4 – Commitments and Contingencies

A. Grants

The Agency receives funds from various granting agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds.

B. Litigation

In the ordinary course of operations, the Agency is subject to other claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, will not materially affect its financial condition.

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REQUIRED SUPPLEMENTARY INFORMATION

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Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Required Supplementary Information
For the Years Ended June 30, 2021 and 2020

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.

Salinas Valley Basin Groundwater Sustainability Agency
Schedule of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,200,000	\$ 1,300,000	\$ 1,311,855	\$ 11,855
Grants	-	3,648,888	2,105,116	(1,543,772)
Investment income	4,000	4,000	2,929	(1,071)
Total Revenues	1,204,000	4,952,888	3,419,900	(1,532,988)
EXPENDITURES				
Current - Groundwater sustainability:				
Administrative services	936,650	916,650	587,672	328,978
Groundwater sustainability plan	46,500	4,444,608	2,550,478	1,894,130
Other expenditures	363,800	411,200	335,891	75,309
Total Expenditures	1,346,950	5,772,458	3,474,041	2,298,417
Net Change in Fund Balance	\$ (142,950)	\$ (819,570)	(54,141)	\$ 765,429
FUND BALANCES				
Beginning of year			882,016	
End of Year			\$ 827,875	

Salinas Valley Basin Groundwater Sustainability Agency
Schedule of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,200,000	\$ 1,298,000	\$ 1,322,056	\$ 24,056
Grants	-	732,488	805,434	72,946
Investment income	1,000	9,000	26,115	17,115
Total Revenues	1,201,000	2,039,488	2,153,605	114,117
EXPENDITURES				
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
Total Expenditures	1,191,000	1,886,144	1,845,873	40,271
Net Change in Fund Balance	\$ 10,000	\$ 153,344	307,732	\$ 154,388
FUND BALANCES				
Beginning of year			574,284	
End of Year			\$ 882,016	

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