

Salinas Valley Basin Groundwater Sustainability Agency

Carmel Valley, California

Basic Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2024 and 2023

Salinas Valley Basin Groundwater Sustainability Agency
Basic Financial Statements
For the Years Ended June 30, 2024 and 2023

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**INDEPENDENT AUDITORS' REPORT**www.pungroup.cpa

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

Opinions

We have audited the accompanying financial statements of the governmental activities and General fund of Salinas Valley Basin Groundwater Sustainability Agency (the "Agency") as of and for the years ended June 30, 2024, and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General fund of the Agency, as of June 30, 2024, and 2023, and the respective changes in financial position, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 5, 2024

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

The Salinas Valley Basin Groundwater Sustainability Agency (the “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 groundwater sustainability plans for subbasins under its jurisdiction by 2022 and implementing the plans to achieve sustainability of the subbasins by 2040/2042. This is the seventh year of financial operations.

The effort to comply with the Sustainable 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.

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 the discussion and analysis of Agency’s financial performance during the period from July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023 for comparison. It should be read in conjunction with Agency’s financial statements in the subsequent section.

FINANCIAL HIGHLIGHTS

2024

- Total revenues for the year were \$7,188,344 of which \$3,360,031 was from charges for services, \$3,824,484 was received from California Department of Water Resources Sustainable Groundwater Management Grant program and from other contributions. The remaining revenue was investment income.
- Total expenses of 6,550,813 were \$2,582,571 more than the previous year.
- Agency finished the year with a fund balance of \$1,044,993 an increase of \$637,531 from prior year.
- On October 6, 2023, the Agency accepted a \$10.3 million grant from DWR to pay for Groundwater sustainability program costs.

2023

- Total revenues for the year were \$3,488,435 of which \$1,407,405 was from charges for services, \$2,068,039 was received from California Department of Water Resources Sustainable Groundwater Management Grant program and from other contributions. The remaining revenue was investment income.
- Total expenses of \$3,968,241 were \$559,718 more than the previous year.
- Agency finished the year with a fund balance of \$407,462 a decrease of \$479,806 from prior year.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial 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 presents Agency’s assets and liabilities. All 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 FY 2024 and 2023, there was no difference between the Agency’s Governmental Fund and the Government-Wide Statements.

Following is the Condensed Statement of Net Position as of June 30, 2024, 2023 and 2022.

	2022	2023	2024	Change	Percent Change
Current Assets					
Cash and Investments	\$ 538,939	\$ 848,660	\$ 703,780	\$ (144,880)	-17%
Accounts Receivable	1,193,090	1,461,422	2,137,032	675,610	46%
Total Assets	<u>1,732,029</u>	<u>2,310,082</u>	<u>2,840,812</u>	<u>530,730</u>	23%
Current Liabilities					
Accounts Payable	320,735	1,902,620	1,795,819	(106,801)	-6%
Due to Other Governments	524,026	-	-	-	
Total Liabilities	<u>844,761</u>	<u>1,902,620</u>	<u>1,795,819</u>	<u>(106,801)</u>	-6%
Net Position					
Restricted	-	-	37,518	37,518	100%
Unrestricted	887,268	407,462	1,007,475	637,531	156%
Total Net Position	<u>\$ 887,268</u>	<u>\$ 407,462</u>	<u>\$ 1,044,993</u>	<u>\$ 675,049</u>	166%

The accounts receivable reflects grant invoices submitted to the Department of Water Resources (DWR) and awaiting reimbursement under the Sustainable Groundwater Management Grant Round 1 and Round 2. The increase reflects the increase in grant funded work during the fiscal year. The accounts payable reflects the liabilities the Agency owes to vendors for services provided. The sum of \$1,795,819 includes invoices to be paid to Monterey County Water Resources Agency (MCWRA) upon grant reimbursement from DWR.

The Agency has no long-term debt. The unrestricted net position is available to fund Agency operations.

During the fiscal year, the Agency opened two lines of credit for cash flow purposes to carry out operations while it waited for regulatory fees to be received twice a year with property taxes and while it also waited for grant reimbursements from the Department of Water Resources which can take 60 days after the end of the quarter. The agency borrowed \$587,000 from October to December 2023 for Operations and \$1,568,500 throughout the year for Grant expenditures. Both lines of credit were paid in full by June 30, 2024.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

Following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended 2024, 2023, and 2022.

	2022	2023	2024	Change	Percent Change
Operating Revenue:					
Charges for Services	\$ 1,410,300	\$ 1,407,406	\$ 3,360,031	\$ 1,952,625	148%
Grants	2,057,342	2,068,039	3,824,484	1,756,445	218%
Investment Income	274	12,991	3,829	(9,162)	-35%
Total Revenue	3,467,916	3,488,436	7,188,344	3,699,908	172%
Operating Expenses:					
Administrative Services	1,136,908	1,618,522	1,552,512	(66,010)	-12%
Groundwater Sustainability Plan	2,088,111	1,914,488	4,751,240	2,836,752	266%
Deep aquifer study	-	435,232	231,264	(203,968)	-19%
Other Expenses	183,504	-	15,797	15,797	7%
Total Operating Expenses	3,408,523	3,968,242	6,550,813	2,582,571	89%
Change in Net Position	59,393	(479,806)	637,531	1,117,337	-147%
Beginning Net Position	827,875	887,268	407,462	(479,806)	-84%
Ending Net Position	\$ 887,268	\$ 407,462	\$ 1,044,993	\$ 637,531	-347%

Revenues

The 148% increase in Charges for Services is due to a 147% increase in the regulatory fees that was necessary to fund the Agency's workplan to implement the Groundwater Sustainability Plans (GSP) approved by the Department of Water Resources (DWR). This was the first major increase in fees since the Agency's formation.

The 218% increase in Grants & Other Contribution is primarily due to the grant funding received from DWR for implementation of the GSP. The Agency has two grants of \$7.6 million and \$10.4 million for the implementation work. Grant revenue is based on work completed since the grants are on a reimbursement basis. Fiscal year 2024 is the first year that the Agency is fully staff and moving forward with major projects.

Expenses

The 12% decrease in Administrative Services (principally RGS) is the result of staff charging more time to grant funded programs. The increase in the Groundwater Sustainability Management Plan expense is due to major GSP implementation work such as the feasibility study for an Extraction Barrier to address seawater intrusion and other grant funded programs.

The use and management of the two DWR Grants along with grant funding from MLRP and from partner agencies for specific projects, requires increased administration expense, especially when tracking expenses funded by various grants and various parts of the tiered regulatory fee. The agency is now tracking expenses funded by various grants and 6 subbasins.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For FY 2024-25 the appropriations decreased 19.5% with a commensurate decrease in regulatory fee revenue. The necessary regulatory fee revenue is based on the workplan for the year. For FY 2024-25 staff will be concentrating on grant funded work to meet the grant deadlines.

The fee is received in two payments – one in late December and one in late April, which corresponds with property tax collection schedule. For FY 2024-25 the Agency will continue to use the line of credit from Capital 1 Bank to meet its cash flow needs for Operations.

Since the Agency also was awarded a \$7.6 million dollar grant which is on a reimbursement basis, 1st Capital Bank has issued a second line of credit for these expenses while awaiting reimbursement.

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, Sophia Selivanoff, Executive Director, 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, 2024 and 2023

	2024	2023
ASSETS		
Cash and investments	\$ 703,780	\$ 848,660
Accounts receivable	2,137,032	1,461,422
Total Assets	2,840,812	2,310,082
LIABILITIES		
Accounts payable	1,795,819	1,902,620
Total Liabilities	1,795,819	1,902,620
NET POSITION		
Restricted	37,518	-
Unrestricted	1,007,475	407,462
Total Net Position	\$ 1,044,993	\$ 407,462

See accompanying Notes to the Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Primary Government Activities:				Governmental Activities
Groundwater sustainability	\$ 6,550,813	\$ 3,360,031	\$ 3,824,484	\$ 633,702
Total Governmental Activities	<u>\$ 6,550,813</u>	<u>\$ 3,360,031</u>	<u>\$ 3,824,484</u>	<u>633,702</u>
General Revenues:				
Investment income				<u>3,829</u>
Total general revenues				<u>3,829</u>
Change in net position				637,531
Net position - beginning				<u>407,462</u>
Net position - ending				<u>\$ 1,044,993</u>

See accompanying Notes to the Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Primary Government Activities:				
Groundwater sustainability	\$ 3,968,242	\$ 1,407,406	\$ 2,068,039	\$ (492,797)
Total Governmental Activities	<u>\$ 3,968,242</u>	<u>\$ 1,407,406</u>	<u>\$ 2,068,039</u>	<u>(492,797)</u>
General Revenues:				
Investment income				<u>12,991</u>
Total general revenues				<u>12,991</u>
Change in net position				(479,806)
Net position - beginning				<u>887,268</u>
Net position - ending				<u>\$ 407,462</u>

See accompanying Notes to the Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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Salinas Valley Basin Groundwater Sustainability Agency
Balance Sheets
General Fund
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and investments	\$ 703,780	\$ 848,660
Accounts receivable	2,137,032	1,461,422
Total Assets	<u><u>\$ 2,840,812</u></u>	<u><u>\$ 2,310,082</u></u>
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued liabilities	\$ 1,795,819	\$ 1,902,620
Total Liabilities	<u>1,795,819</u>	<u>1,902,620</u>
FUND BALANCE:		
Restricted	37,518	-
Committed	377,445	82,071
Assigned	220,000	-
Unassigned	410,030	325,391
Total Fund Balance	<u>1,044,993</u>	<u>407,462</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,840,812</u></u>	<u><u>\$ 2,310,082</u></u>

See accompanying Notes to the Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Balance Sheets
of General Fund to the Statements of Net Position
June 30, 2024 and 2023

At June 30, 2024 and 2023, there are no differences in the amounts reported as Net Position on the Statement of Net Position and Fund Balance on the Balance Sheet General Fund.

Salinas Valley Basin Groundwater Sustainability Agency
Statements of Revenues, Expenditures, and Change in Fund Balance
General Fund
For the Years Ended June 30, 2024 and 2023

	2024	2023
REVENUES		
Charges for services	\$ 3,360,031	\$ 1,407,406
Grants	3,824,484	2,068,039
Investment income	3,829	12,991
Total revenues	<u>7,188,344</u>	<u>3,488,436</u>
EXPENDITURES		
Current - Groundwater sustainability:		
Administrative services	1,552,512	1,618,522
Groundwater sustainability implementation	4,751,240	1,914,488
Deep aquifer study	231,264	435,232
Interest expense	15,797	-
Total expenditures	<u>6,550,813</u>	<u>3,968,242</u>
Change in fund balance	<u>637,531</u>	<u>(479,806)</u>
Fund Balance - beginning of year	407,462	887,268
Fund Balance - end of year	<u><u>\$ 1,044,993</u></u>	<u><u>\$ 407,462</u></u>

See accompanying Notes to the Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Statements of Revenues, Expenditures, and Change in Fund Balance
General Fund to the Government-Wide Statements of Activities
For the Years Ended June 30, 2024 and 2023

For the years ended June 30, 2024 and 2023, there are no differences in the amounts reported in the Statement of Activities and the Statement of Revenues, Expenditure and Change in Fund Balance.

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, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Salinas Valley Basin Groundwater Sustainability Agency (the “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 Agency in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. Basis of Accounting and Measurement Focus

The Agency's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The government-wide financial statement include Statement of Net Position and Statement of Activities. These financial statement present summaries of activities for the Agency.

The government-wide financial statement are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities are included on the Statement of Net Position. The Statement of Activities present increases (revenues) and decreases (expenses) in total net position. Under accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Receivables have been reported and recognized as revenue.

The Statement of Activities present information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change accrues, regardless of the timing of related cash flows. The Statement of activities also 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 requirements of a particular function or segment. Investment income not properly included among program revenues is reported instead as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statement include Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance. The governmental fund is accounted for 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, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental 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 reported in the accounting period in which the related fund liability is incurred.

The Agency reports items as deferred inflows of resources when all eligibility requirements are met except for timing requirements or resources recognized as liabilities 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.

C. 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 – U.S. GAAP, 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.

D. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Deferred Outflows/Inflows of Resources (Continued)

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.

The Agency did not report any deferred outflows/ inflows of resources as of June 30, 2024 and 2023.

E. Net Position

Net position of the Agency includes the following 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, 2023 and June 30, 2024.

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 reported \$37,518 and \$0 in this category as of June 30, 2024 and 2023, respectively. The amount reported in as of June 30, 2024 was due to the agreement with the Salinas Valley Basin Alliance who provided funding for the Interbasin Flow Modeling.

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”. The Agency reported \$1,007,475 and \$407,462 in this category as of June 2024 and 2023, respectively.

F. 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 – 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. The Agency did not have any amount reported in this category as of June 30, 2024 and June 30, 2023.

Restricted –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. The Agency reported \$37,518 and \$0 in this category as of June 30, 2024 and 2023, respectively. The amount reported in as of June 30, 2024 was due to the agreement with the Salinas Valley Basin Alliance who provided funding for the Interbasin Flow Modeling.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

Committed – 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. The Agency reported \$377,445 and \$82,071 in this category as of June 2024 and 2023, respectively. The amounts reported were for the approved purchase orders carried over to the next fiscal year.

Assigned – 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. The Agency reported \$220,000 and \$0 in this category as of June 2024 and 2023, respectively. The amount reported as of June 30, 2024 is assigned to reserve for cash flow purposes and for litigation.

Unassigned – Amounts represent fund balance that has not been restricted, committed, or assigned and may be utilized by the Agency for any purpose. The Agency reported \$410,030 and \$325,391 in this category as of June 2024 and 2023, respectively.

It is the Agency's policy to apply expenditures to the most restrictive available balances first, and then less restricted funds as required in the order of committed, assigned, and then unassigned, as they are needed.

G. Use of Estimates

The preparation of financial statements in accordance with U.S. 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, 2024 and 2023 are classified in the accompanying financial statements as follows:

	2024	2023
Demand deposits	\$ 133,093	\$ 50,787
Money Market Account	570,687	81,059
CalTrust Funds	-	716,814
Total cash and investments	<u>\$ 703,780</u>	<u>\$ 848,660</u>

A. Demand Deposits

As of June 30, 2024, the carrying amount of demand deposits was \$133,093 and the bank balance was \$593,397 compared to \$50,787 and \$49,147 at June 30, 2023, 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, 2024 and 2023

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, 2024 and 2023, the Agency had \$0 and \$716,814, 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, 2024 and 2023:

	2024	2023
Investments not subject to fair value hierarchy:		
Money Market Account	\$ 570,687	\$ 81,059
CalTrust Funds	-	716,814
Total investments	<u>\$ 570,687</u>	<u>\$ 797,873</u>

The Agency holds investments in institutional investment funds, which are measured at fair value using the net asset value (NAV) per share or its equivalent. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective investment managers. Investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Cash and Investments (Continued)

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.

June 30, 2024:

<u>Investment Type</u>	<u>Total</u>	<u>Investments Maturities (in Years) Less Than 1 Year</u>
Money Market Account	\$ 570,687	\$ 570,687
Total	<u>\$ 570,687</u>	<u>\$ 570,687</u>

June 30, 2023:

<u>Investment Type</u>	<u>Total</u>	<u>Investments Maturities (in Years) Less Than 1 Year</u>
Money Market Account	\$ 81,059	\$ 81,059
CalTrust Funds	716,814	716,814
Total	<u>\$ 797,873</u>	<u>\$ 797,873</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, 2024 and 2023.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

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.

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, 2024 and 2023, \$0 of the Agency's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Note 3 – Lines of Credit

During the year ended June 30, 2024, the Agency obtained two lines of credit. The first was in the amount of \$1,900,000 and was obtained to assist in funding operating expenses, and matures on September 13, 2024. The second was in the amount of \$3,200,000 and was obtained to fund certain grant expenditures, and matures on September 13, 2024. The interest rate on both lines of credit have a variable interest rate based on changes in an independent index which is the Wall Street Journal Prime and under no circumstance will be less than 6% per annum or more than the maximum rate allowed by applicable law. As of June 30, 2024, there was no outstanding balance on either line of credit.

Note 4 – Risk Management

For the years ended June 30, 2024 and 2023, liability insurance are purchased from commercial insurance companies.

Insured Persons and Organizations Coverage

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

Note 5 – 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.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2024 and 2023

Note 5 – Commitments and Contingencies (Continued)

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.

C. Commitments

The Agency had outstanding commitments in the amount of \$6,410,377 as of June 30, 2024. The commitments as of June 30, 2024 were related to the Agency's \$10.4 million grant that was accepted in October 2023. The Agency did not have owned capital assets. The commitments were incurred for the pass through grants for the projects.

Project	Amount
SGM R2-S Technical Services	\$ 3,565,613
SGM R1 Technical Assistance	2,529,853
SV Recharge Suitability Mapping	<u>314,911</u>
Total	<u><u>\$ 6,410,377</u></u>

Note 6 – Subsequent Events

A. Lines of Credit

On September 14, 2014, the Agency renewed both lines of credit, as discussed in Note 3. The amounts and interest rate are the same. The lines of credit will now mature on September 13, 2025.

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, 2024 and 2023

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.

The original budget represents the new monies budgeted for the fiscal year. The final budget includes grant carryover appropriations which are recorded after the prior fiscal year is closed.

The large differences between budget and actual is due to grants that are budgeted at the full amount, but spent over a three year period.

The actual change in fund balance is due to receipt of tier 2 regulatory fees imposed for the first time, but not all spent due to the time required to get new objectives implemented.

Salinas Valley Basin Groundwater Sustainability Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 3,313,791	\$ 3,313,791	\$ 3,360,031	\$ 46,240
Grants	-	20,951,148	3,824,484	(17,126,664)
Investment income	-	-	3,829	3,829
Total Revenues	3,313,791	24,264,939	7,188,344	(17,076,595)
EXPENDITURES				
Current - Groundwater sustainability:				
Administrative services	1,234,625	1,496,829	1,552,512	(55,683)
Groundwater sustainability implementation	2,079,166	22,654,298	4,751,240	17,903,058
Deep aquifer study	-	231,264	231,264	-
Interest expense	-	13,900	15,797	(1,897)
Total Expenditures	3,313,791	24,396,291	6,550,813	17,845,478
Net Change in Fund Balance	\$ -	\$ (131,352)	637,531	\$ 768,883
FUND BALANCE				
Beginning of year			407,462	
End of year			\$ 1,044,993	

Salinas Valley Basin Groundwater Sustainability Agency
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,701,000	\$ 1,364,800	\$ 1,407,406	\$ 42,606
Grants	-	8,896,427	2,068,039	(6,828,388)
Investment income	-	-	12,991	12,991
Total Revenues	1,701,000	10,261,227	3,488,436	(6,772,791)
EXPENDITURES				
Current - Groundwater sustainability:				
Administrative services	1,611,750	1,877,492	1,618,522	258,970
Groundwater sustainability implementation	-	8,521,617	1,914,488	6,607,129
Deep aquifer study	-	666,497	435,232	231,265
Total Expenditures	1,611,750	11,065,606	3,968,242	7,097,364
Net Change in Fund Balance	\$ 89,250	\$ (804,379)	(479,806)	\$ 324,573
FUND BALANCE				
Beginning of year			887,268	
End of year			\$ 407,462	

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