

Salinas Valley Basin Groundwater Sustainability Agency

Carmel Valley, California

Basic Financial Statements and Independent Auditor's Report

For the Years Ended June 30, 2025 and 2024

Salinas Valley Basin Groundwater Sustainability Agency
Basic Financial Statements
For the Years Ended June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

6 Hutton Centre Drive, Suite 1200
Santa Ana, California 92707



www.pungroup.cpa



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

Opinions

We have audited the 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, 2025, and 2024, 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, 2025, and 2024, 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 Auditor's 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.

Auditor's 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 auditor's 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Santa Ana, California
November 21, 2025

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

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 and maintaining 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 and maintain sustainability of the subbasins by 2040/2042. This is the eighth 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, 2024 to June 30, 2025 and July 1, 2023 to June 30, 2024 for comparison. It should be read in conjunction with Agency’s financial statements in the subsequent section.

FINANCIAL HIGHLIGHTS

2025

- Total revenues for the year were \$9,506,765 of which \$2,918,021 was from charges for services, and \$6,538,124 was received from California Department of Water Resources Sustainable Groundwater Management Grant program and from other contributions. The remaining revenue was investment income and other income.
- Total expenses of \$9,290,922 were \$2,740,109 more than the previous year.
- The Agency finished the year with a fund balance of \$1,260,836 an increase of \$215,843 from prior year.

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.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

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 2025 and 2024, 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, 2025, 2024 and 2023.

	2023	2024	2025	FY25 vs FY24 Change	FY25 vs FY24 Percent Change
Current Assets					
Cash and Investments	\$ 848,660	\$ 703,780	\$ 305,902	\$ (397,878)	-57%
Accounts Receivable	1,461,422	2,137,032	2,590,538	453,506	21%
Total Assets	2,310,082	2,840,812	2,896,440	55,628	2%
Current Liabilities					
Accounts Payable	1,902,620	1,795,819	1,635,604	(160,215)	-9%
Total Liabilities	1,902,620	1,795,819	1,635,604	(160,215)	-9%
Net Position					
Restricted	-	37,518	32,756	(4,762)	-13%
Unrestricted	407,462	1,007,475	1,228,080	220,605	22%
Total Net Position	\$ 407,462	\$ 1,044,993	\$ 1,260,836	\$ 215,843	53%

The accounts receivable reflect 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 \$1,635,604 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 year ended June 30, 2024, 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 \$280,031 for operations and \$1,278,301 for grant expenditures throughout the year. Both lines of credit were paid in full by June 30, 2025.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

Following is the Condensed Statement of Activities for the fiscal years ended 2025, 2024, and 2023.

	2023	2024	2025	FY25 vs FY24 Change	FY25 vs FY24 Percent Change
Operating Revenue:					
Charges for Services	\$ 1,407,406	\$ 3,360,031	\$ 2,918,021	\$ (442,010)	-15%
Grants	2,068,039	3,824,484	6,538,124	2,713,640	42%
Investment Income	12,991	3,829	620	(3,209)	-518%
Other Income	-	-	50,000	50,000	
Total Revenue	3,488,436	7,188,344	9,506,765	2,318,421	24%
Operating Expenses:					
Administrative Services	1,618,522	1,552,512	1,780,350	227,838	13%
Groundwater Sustainability Plan	1,914,488	4,751,240	7,461,508	2,710,268	36%
Deep aquifer study	435,232	231,264	-	(231,264)	-100%
Other Expenses	-	15,797	49,064	33,267	68%
Total Operating Expenses	3,968,242	6,550,813	9,290,922	2,740,109	29%
Change in Net Position	(479,806)	637,531	215,843	(421,688)	-195%
Beginning Net Position	887,268	407,462	1,044,993	637,531	61%
Ending Net Position	\$ 407,462	\$ 1,044,993	\$ 1,260,836	\$ 215,843	17%

Revenues

The 15% decrease in Charges for Services is due to the large number of activities funded by the DWR grants.

The 42% increase in Grants & Other Contribution is primarily due to the grant funding received from DWR for implementation of the GSPs. The Agency has two grants of \$7.6 million and \$10.3 million for the implementation work. Grant revenue is based on work completed since the grants are on a reimbursement basis.

Expenses

The 13% increase in Administrative Services is due to increase in contracted staffing (Regional Government Services) expense.

The 36% increase in Groundwater Sustainability Plan expense is the result of staff charging more time to grant funded programs due to major GSP implementation work.

The Agency is tracking expenses funded by various grants and the Sustainable Groundwater Management Fee.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The total of \$3.1 million in general fund FY 2026 budgeted expenses is an increase of about \$327,000 compared to FY 2025 budget of \$2.78 million and on par with projected actual expenditures (including carryover amounts) of \$3.02 million for FY 2025. All new appropriations are in Fund 100 that receives its revenue from Sustainable Groundwater Management Fee, Tier 1.

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 2026 the Agency will continue to use the lines of credit from West Coast Community Bank to meet its cash flow needs for operations and grants.

**SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

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, 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, 2025 and 2024

	2025	2024
ASSETS		
Cash and investments	\$ 305,902	\$ 703,780
Accounts receivable	2,590,538	2,137,032
Total Assets	2,896,440	2,840,812
LIABILITIES		
Accounts payable	1,635,604	1,795,819
Total Liabilities	1,635,604	1,795,819
NET POSITION		
Restricted	45,304	37,518
Unrestricted	1,215,532	1,007,475
Total Net Position	\$ 1,260,836	\$ 1,044,993

Salinas Valley Basin Groundwater Sustainability Agency

Statement of Activities For the Year Ended June 30, 2025

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 implementation	\$ 9,290,922	\$ 2,918,021	\$ 6,538,124	\$ 165,223
Total Governmental Activities	<u>\$ 9,290,922</u>	<u>\$ 2,918,021</u>	<u>\$ 6,538,124</u>	<u>165,223</u>
General Revenues:				
	Investment income			620
	Other income			<u>50,000</u>
	Total general revenues			<u>50,620</u>
	Change in net position			215,843
	Net position - beginning			<u>1,044,993</u>
	Net position - ending			<u>\$ 1,260,836</u>

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 implementation	\$ 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>	633,702
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>

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FUND FINANCIAL STATEMENTS

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Salinas Valley Basin Groundwater Sustainability Agency
Balance Sheets
General Fund
June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and investments	\$ 305,902	\$ 703,780
Accounts receivable	2,590,538	2,137,032
Total Assets	<u><u>\$ 2,896,440</u></u>	<u><u>\$ 2,840,812</u></u>
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued liabilities	\$ 1,635,604	\$ 1,795,819
Total Liabilities	<u>1,635,604</u>	<u>1,795,819</u>
FUND BALANCE:		
Restricted	45,304	37,518
Committed	266,662	377,445
Assigned	340,000	220,000
Unassigned	<u>608,870</u>	<u>410,030</u>
Total Fund Balance	<u>1,260,836</u>	<u>1,044,993</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,896,440</u></u>	<u><u>\$ 2,840,812</u></u>

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Balance Sheets
of General Fund to the Statements of Net Position
June 30, 2025 and 2024

At June 30, 2025 and 2024, 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, 2025 and 2024

	2025	2024
REVENUES		
Charges for services	\$ 2,918,021	\$ 3,360,031
Grants	6,538,124	3,824,484
Investment income	620	3,829
Other income	50,000	-
Total revenues	<u>9,506,765</u>	<u>7,188,344</u>
EXPENDITURES		
Current - Groundwater sustainability:		
Administrative services	1,780,350	1,552,512
Groundwater sustainability implementation	7,461,508	4,751,240
Deep aquifer study	-	231,264
Interest expense	49,064	15,797
Total expenditures	<u>9,290,922</u>	<u>6,550,813</u>
Change in fund balance	<u>215,843</u>	<u>637,531</u>
Fund Balance - beginning of year	1,044,993	407,462
Fund Balance - end of year	<u><u>\$ 1,260,836</u></u>	<u><u>\$ 1,044,993</u></u>

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, 2025 and 2024

For the years ended June 30, 2025 and 2024, 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, 2025 and 2024

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 accordance 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, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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, 2024 and June 30, 2025.

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 \$32,756 and \$37,518 in this category as of June 30, 2025 and 2024, respectively. The amount reported in as of June 30, 2025 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 \$1,228,080 and \$1,007,475 in this category as of June 2025 and 2024, 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, 2025 and June 30, 2024.

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 \$32,756 and \$37,518 in this category as of June 30, 2025 and 2024, 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, 2025 and 2024

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 \$266,662 and \$377,445 in this category as of June 2025 and 2024, 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 \$340,000 and \$220,000 in this category as of June 2025 and 2024, 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 \$621,418 and \$410,030 in this category as of June 2025 and 2024, 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, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Demand deposits	\$ 225,274	\$ 133,093
Money Market Account	80,628	570,687
Total cash and investments	<u>\$ 305,902</u>	<u>\$ 703,780</u>

A. Demand Deposits

As of June 30, 2025, the carrying amount of demand deposits was \$225,274 and the bank balance was \$368,655 compared to \$133,093 and \$593,397 at June 30, 2024, 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, 2025 and 2024

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
- Money Market Account

C. Fair Value Measurement

The following is a summary of the fair value hierarchy of investments held by the Agency as of June 30, 2025 and 2024:

	2025	2024
Investments not subject to fair value hierarchy:		
Money Market Account	\$ 80,628	\$ 570,687
Total investments	<u>\$ 80,628</u>	<u>\$ 570,687</u>

The Agency holds investments in Money Market investment funds, which are measured on the basis of \$1 and not fair value.

D. 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, 2025:

Investment Type	Total	Investments Maturities (in Years) Less Than 1 Year
Money Market Account	\$ 80,628	\$ 80,628
Total	<u>\$ 80,628</u>	<u>\$ 80,628</u>

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

June 30, 2024:

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

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, 2025 and 2024.

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, 2025 and 2024, none of the Agency's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 3 – Lines of Credit

During the year ended June 30, 2024, the Agency obtained two lines of credit and they were renewed during the year ended June 30, 2025. The first was in the amount of \$1,900,000 and was obtained to assist in funding operating expenses, and matures on September 13, 2026. The second was in the amount of \$3,200,000 and was obtained to fund certain grant expenditures, and also matures on September 13, 2026. Both lines of credit bear a variable interest rate based on changes in an independent index, specifically the Wall Street Journal Prime Rate, and under no circumstances will the rate be less than 6% per annum or exceed the maximum rate permitted by applicable law. The Agency borrowed \$280,031 for operations and \$1,278,301 for grant expenditures throughout the year. Both lines of credit were paid in full by June 30, 2025. As of June 30, 2025 and 2024, there was no outstanding balance on either line of credit.

Note 4 – Risk Management

For the years ended June 30, 2025 and 2024, 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.

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 \$7,343,692 and \$6,410,377 as of June 30, 2025 and June 30, 2024, respectively. The commitments 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	Year ended June 30, 2025	Year ended June 30, 2024
	Amount	Amount
SGM R2-S Technical Services	\$ 5,235,791	\$ 3,565,613
SGM R1 Technical Assistance	581,799	2,529,853
SV Recharge Suitability Mapping	-	314,911
Interbasin	56,080	-
Multibenifit Land Repurposing Program	299,202	-
SGM R2-M Technical Services	1,170,820	-
Total	<u>\$ 7,343,692</u>	<u>\$ 6,410,377</u>

Salinas Valley Basin Groundwater Sustainability Agency
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2025 and 2024

Note 6 – Subsequent Events

On September 14, 2025, 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, 2026.

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, 2025 and 2024

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,842,075	\$ 2,842,075	\$ 2,918,021	\$ 75,946
Grants	-	17,199,072	6,538,124	(10,660,948)
Investment income	-	-	620	620
Other income	-	-	50,000	50,000
Total Revenues	2,842,075	20,041,147	9,506,765	(10,534,382)
EXPENDITURES				
Current - Groundwater sustainability:				
Administrative services	1,975,825	2,109,664	1,780,350	329,314
Groundwater sustainability implementation	762,750	18,203,526	7,461,508	10,742,018
Interest expense	40,000	40,000	49,064	(9,064)
Total Expenditures	2,778,575	20,353,190	9,290,922	11,062,268
Net Change in Fund Balance	\$ 63,500	\$ (312,043)	215,843	\$ 527,886
FUND BALANCE				
Beginning of year			1,044,993	
End of year			\$ 1,260,836	

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	

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SUPPLEMENTARY INFORMATION

Salinas Valley Basin Groundwater Sustainability Agency
Combining Balance Sheet
General Fund
June 30, 2025

	General Fund	SGM Round 1 Grant	SGM R2-S Grant	Interbasin Flow Modeling	MLRP
ASSETS					
Cash and investments	\$ 288,674	\$ -	\$ -	\$ 17,228	\$ -
Accounts receivable	39,766	534,152	1,564,567	-	2,067
Due from other funds	1,174,735	-	-	-	-
Total Assets	\$ 1,503,175	\$ 534,152	\$ 1,564,567	\$ 17,228	\$ 2,067
LIABILITIES AND FUND BALANCE					
Accounts payable and accrued liabilities	\$ 235,976	\$ 472,956	\$ 791,355	\$ 4,680	\$ 722
Due to other funds	-	61,196	773,212	-	1,345
Total Liabilities	235,976	534,152	1,564,567	4,680	2,067
FUND BALANCE:					
Restricted	32,756	-	-	12,548	-
Committed	266,662	-	-	-	-
Assigned	340,000	-	-	-	-
Unassigned (Deficit)	627,781	-	-	-	-
Total Fund Balance	1,267,199	-	-	12,548	-
Total Liabilities and Fund Balance	\$ 1,503,175	\$ 534,152	\$ 1,564,567	\$ 17,228	\$ 2,067

Salinas Valley Basin Groundwater Sustainability Agency
Combining Balance Sheet
General Fund (Continued)
June 30, 2025

	SGM R2-M Grant	Elimination	Total
ASSETS			
Cash and investments	\$ -	\$ -	\$ 305,902
Accounts receivable	449,986	-	2,590,538
Due from other funds	-	(1,174,735)	-
Total Assets	<u>\$ 449,986</u>	<u>\$ (1,174,735)</u>	<u>\$ 2,896,440</u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued liabilities	\$ 129,915	\$ -	\$ 1,635,604
Due to other funds	338,982	(1,174,735)	-
Total Liabilities	<u>468,897</u>	<u>-</u>	<u>1,635,604</u>
FUND BALANCE:			
Restricted	-	-	45,304
Committed	-	-	266,662
Assigned	-	-	340,000
Unassigned (Deficit)	(18,911)	-	608,870
Total Fund Balance	<u>(18,911)</u>	<u>-</u>	<u>1,260,836</u>
Total Liabilities and Fund Balance	<u>\$ 449,986</u>	<u>\$ -</u>	<u>\$ 2,896,440</u>

Salinas Valley Basin Groundwater Sustainability Agency
Combining Balance Sheet
General Fund
June 30, 2024

	General Fund	SGM Round 1 Grant	SGM R2-S Grant	Interbasin Flow Modeling	MLRP
ASSETS					
Cash and investments	\$ 666,262	\$ -	\$ -	\$ 37,518	\$ -
Accounts receivable	23,250	1,354,882	493,234	-	3,943
Due from other funds	610,471	-	-	-	-
Total Assets	\$ 1,299,983	\$ 1,354,882	\$ 493,234	\$ 37,518	\$ 3,943
LIABILITIES AND FUND BALANCE					
Accounts payable and accrued liabilities	\$ 292,508	\$ 1,198,833	\$ 237,221	\$ -	\$ 700
Due to other funds	-	156,049	256,013	-	3,243
Total Liabilities	292,508	1,354,882	493,234	-	3,943
FUND BALANCE:					
Restricted	-	-	-	37,518	-
Committed	377,445	-	-	-	-
Assigned	220,000	-	-	-	-
Unassigned	410,030	-	-	-	-
Total Fund Balance	1,007,475	-	-	37,518	-
Total Liabilities and Fund Balance	\$ 1,299,983	\$ 1,354,882	\$ 493,234	\$ 37,518	\$ 3,943

Salinas Valley Basin Groundwater Sustainability Agency
Combining Balance Sheet
General Fund (Continued)
June 30, 2024

	MCWDGSA	Elimination	Total
ASSETS			
Cash and investments	\$ -	\$ -	\$ 703,780
Accounts receivable	261,723	-	2,137,032
Due from other funds	-	(610,471)	-
Total Assets	<u>\$ 261,723</u>	<u>\$ (610,471)</u>	<u>\$ 2,840,812</u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued liabilities	\$ 66,557	\$ -	\$ 1,795,819
Due to other funds	195,166	(610,471)	-
Total Liabilities	<u>261,723</u>	<u>(610,471)</u>	<u>1,795,819</u>
FUND BALANCE:			
Restricted	-	-	37,518
Committed	-	-	377,445
Assigned	-	-	220,000
Unassigned	-	-	410,030
Total Fund Balance	<u>-</u>	<u>-</u>	<u>1,044,993</u>
Total Liabilities and Fund Balance	<u>\$ 261,723</u>	<u>\$ (610,471)</u>	<u>\$ 2,840,812</u>

Salinas Valley Basin Groundwater Sustainability Agency
Combining Statement of Revenue, Expenditures, and Change in Fund Balance
General Fund
For the Year Ended June 30, 2025

	General Fund	SGM Round 1 Grant	SGM R2-S Grant	Interbasin Flow Modeling	MLRP
REVENUES					
Charges for services	\$ 2,918,021	\$ -	\$ -	\$ -	\$ -
Grants	(7,075)	2,158,523	3,233,712	-	32,707
Investment income	620	-	-	-	-
Other income	50,000	-	-	-	-
Total revenues	2,961,566	2,158,523	3,233,712	-	32,707
EXPENDITURES					
Current - Groundwater sustainability:					
Administrative services	1,764,641	-	-	-	15,709
Groundwater sustainability implementation	888,137	2,158,523	3,233,712	24,970	16,998
Interest expense	49,064	-	-	-	-
Total expenditures	2,701,842	2,158,523	3,233,712	24,970	32,707
Change in fund balance	259,724	-	-	(24,970)	-
Fund Balance - beginning of year	1,007,475	-	-	37,518	-
Fund Balance (Deficit) - end of year	<u>\$ 1,267,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,548</u>	<u>\$ -</u>

Salinas Valley Basin Groundwater Sustainability Agency
Combining Statement of Revenue, Expenditures, and Change in Fund Balance
General Fund (Continued)
For the Year Ended June 30, 2025

	SGM R2-M Grant	Total
REVENUES		
Charges for services	\$ -	\$ 2,918,021
Grants	1,120,257	6,538,124
Investment income	-	620
Other income	-	50,000
Total revenues	<u>1,120,257</u>	<u>9,506,765</u>
EXPENDITURES		
Current - Groundwater sustainability:		
Administrative services	-	1,780,350
Groundwater sustainability implementation	1,139,168	7,461,508
Interest expense	-	49,064
Total expenditures	<u>1,139,168</u>	<u>9,290,922</u>
Change in fund balance	<u>(18,911)</u>	<u>215,843</u>
Fund Balance - beginning of year	-	1,044,993
Fund Balance (Deficit) - end of year	<u><u>\$ (18,911)</u></u>	<u><u>\$ 1,260,836</u></u>

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

	General Fund	SGM Round 1 Grant	SGM R2-S Grant	Interbasin Flow Modeling	MLRP
REVENUES					
Charges for services	\$ 3,360,031	\$ -	\$ -	\$ -	\$ -
Grants	(30,013)	3,081,599	493,235	-	17,940
Investment income	3,829	-	-	-	-
Total revenues	3,333,847	3,081,599	493,235	-	17,940
EXPENDITURES					
Current - Groundwater sustainability:					
Administrative services	1,552,512	-	-	-	-
Groundwater sustainability implementation	895,243	3,081,599	493,235	1,500	17,940
Deep aquifer study	231,264	-	-	-	-
Interest expense	15,797	-	-	-	-
Total expenditures	2,694,816	3,081,599	493,235	1,500	17,940
Change in fund balance	639,031	-	-	(1,500)	-
Fund Balance - beginning of year	368,444	-	-	39,018	-
Fund Balance - end of year	<u>\$ 1,007,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,518</u>	<u>\$ -</u>

Salinas Valley Basin Groundwater Sustainability Agency
Combining Statements
Statements of Revenues, Expenditures, and Change in Fund Balance (Continued)
For the Year Ended June 30, 2024

	MCWDGSA	Total
REVENUES		
Charges for services	\$ -	\$ 3,360,031
Grants	261,723	3,824,484
Investment income	-	3,829
Total revenues	<u>261,723</u>	<u>7,188,344</u>
EXPENDITURES		
Current - Groundwater sustainability:		
Administrative services	-	1,552,512
Groundwater sustainability implementation	261,723	4,751,240
Deep aquifer study	-	231,264
Interest expense	-	15,797
Total expenditures	<u>261,723</u>	<u>6,550,813</u>
Change in fund balance	<u>-</u>	<u>637,531</u>
Fund Balance - beginning of year	-	407,462
Fund Balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,044,993</u></u>

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