

**CARPINTERIA GROUNDWATER
SUSTAINABILITY AGENCY**
June 30, 2023 and 2022
FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**CARPINTERIA GROUNDWATER
SUSTAINABILITY AGENCY**

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1 – 3
Management's Discussion and Analysis (Unaudited)	4 – 8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows.....	11
Notes to the Financial Statements.....	12 – 17



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Carpinteria Groundwater Sustainability Agency:**

Opinion

We have audited the accompanying financial statements of the Carpinteria Groundwater Sustainability Agency (the Agency) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Carpinteria Groundwater Sustainability Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carpinteria Groundwater Sustainability Agency as of June 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 opinion.

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 opinion. 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 GAAS 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 GAAS, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
January 24, 2024

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the Agency's financial performance provides an overview of the Agency's financial activities for the years ended June 30, 2023 and 2022. Please read it in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and a brief description of the Agency's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Agency's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The statement of net position includes all the Agency's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

The statement of revenues, expenses and changes in net position presents information which shows how the Agency's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the Agency's operations over the past year and determines whether the Agency has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the Agency's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operations
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- The financial statements for the year ending June 30, 2023, represent the third year of Agency operations. FY23 marks the first year that the Agency generated operating revenues via parcel acreage-based fee assessments, contributing to an overall improvement in its fiscal position.
- The financial statements for the year ending June 30, 2022, represented the second year of Agency operations. As of June 30, 2022, the Agency had not begun collecting member dues to offset Agency expenses and therefore had a negative net position. The negative net position of \$341,075 is unrestricted and was used to pay for the Agency's operating expenses.

Adopted Financial Accounting Standards

During the years ended June 30, 2023 and 2022, no new accounting standards had a significant impact to the Agency.

FINANCIAL POSITION

The Agency's overall fiscal position is improving due to the implementation of property acreage-based fee assessments in FY23. The Agency has a negative net position of \$215,432 as of June 30, 2023. The negative fund balance will be eliminated by budgeted assessment fees exceeding budgeted operating expense in fiscal years 2024 – 2026.

Condensed Statement of Net Position – Analysis:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>% Change FYE 2023 and 2022</u>	<u>% Change FYE 2022 and 2021</u>
Assets:					
Current and other assets	<u>\$ 404,095</u>	<u>\$ 75,044</u>	<u>\$ 143,379</u>	<u>438%</u>	<u>-48%</u>
Total assets	<u>404,095</u>	<u>75,044</u>	<u>143,379</u>	<u>438%</u>	<u>-48%</u>
Liabilities:					
Current liabilities	<u>219,938</u>	<u>144,462</u>	<u>3,230</u>	<u>52%</u>	<u>4373%</u>
Long-term liabilities	<u>399,588</u>	<u>271,657</u>	<u>320,609</u>	<u>47%</u>	<u>-15%</u>
Total liabilities	<u>619,526</u>	<u>416,119</u>	<u>323,839</u>	<u>49%</u>	<u>28%</u>
Net position:					
Unrestricted	<u>(215,431)</u>	<u>(341,075)</u>	<u>(180,460)</u>	<u>37%</u>	<u>-89%</u>
Total net position	<u>\$ (215,431)</u>	<u>\$ (341,075)</u>	<u>\$ (180,460)</u>	<u>37%</u>	<u>-89%</u>

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS

Analysis of Changes in Total Net Position June 30, 2022, to June 30, 2023:

For the twelve months ended June 20, 2023, the Agency’s total net position increased by \$125,644 or 37%, over the prior year, primarily to implementation of parcel acreage-based fee assessments. Unrestricted net position, the amount which may be used to meet the Agency’s ongoing obligations, accounts for 100% of the net position.

Long-Term Liabilities

At the end of the current fiscal year, the Agency had long term liabilities of \$399,588, comprised of operating funds lent by a related party, Carpinteria Valley Water District. See Note 4 for additional detailed information about the Agency’s long-term liability.

Analysis of Changes in Total Net Position June 30, 2021, to June 30, 2022:

For the twelve months ended June 20, 2022, the Agency’s total net position decreased by \$160,615 or 89% over the prior year. Unrestricted net position, the amount which may be used to meet the Agency’s ongoing obligations, accounted for 100% of the net position.

Long-Term Liabilities

At the end of the fiscal year ending June 30, 2022, the Agency had long term liabilities of \$271,657, comprised of operating funds lent by a related party, Carpinteria Valley Water District. See Note 4 for additional detailed information about the Agency’s long-term liability.

Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>% Change FYE 2023 and 2022</u>	<u>% Change FYE 2022 and 2021</u>
Operating revenues	\$ 956,204	\$ -	\$ -	100%	-
Operating expenses	819,146	150,474	173,855	444%	-13%
Operating income (loss)	<u>137,058</u>	<u>(150,474)</u>	<u>(173,855)</u>	<u>-191%</u>	<u>-13%</u>
Interest and investment income	17	-	-	100%	-
Interest expense	<u>(11,431)</u>	<u>(10,141)</u>	<u>(6,605)</u>	<u>13%</u>	<u>54%</u>
Net non-operating expenses	<u>(11,414)</u>	<u>(10,141)</u>	<u>(6,605)</u>	<u>13%</u>	<u>54%</u>
Change in net position	125,644	(160,615)	(180,460)	-178%	-11%
Net position, beginning of year	<u>(341,075)</u>	<u>(180,460)</u>	<u>-</u>	<u>-89%</u>	<u>-100%</u>
Net position, end of year	<u>\$ (215,431)</u>	<u>\$ (341,075)</u>	<u>\$ (180,460)</u>	<u>37%</u>	<u>89%</u>

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Condensed Statement of Revenues, Expenses, and Changes in Net Position – *Analysis:*

OPERATING REVENUES

	FY 20/21	FY 21/22	FY 22/23
<u>Operating Revenues</u>			
Assessments Revenue	\$ -	\$ -	\$ 320,022
Grant Revenue	-	-	636,182
Total Operating Revenues	\$ -	\$ -	\$ 956,204

Analysis of Changes in Operating Revenues from June 30, 2022, to June 30, 2023:

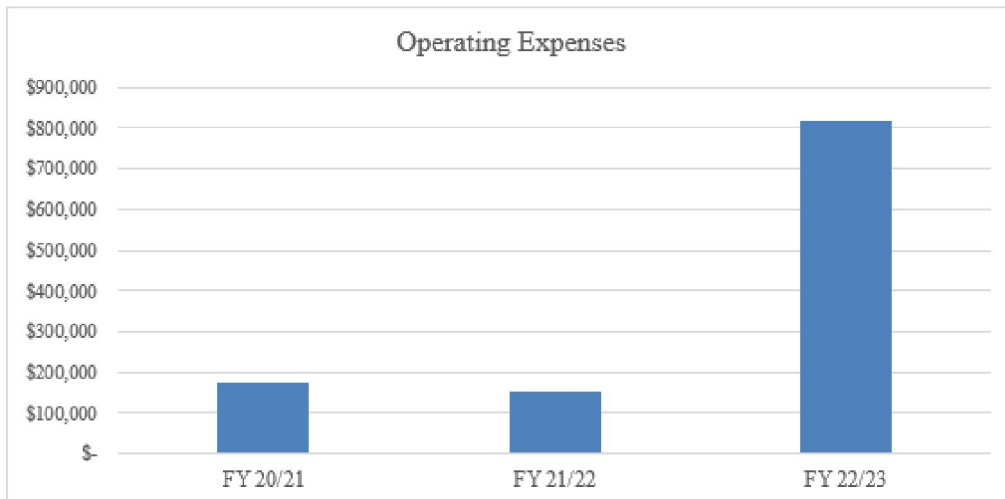
Operating revenues increased by \$956,203 over the prior fiscal year, which reported \$0 operating revenues. \$320,022 of the increase is due to the implementation of parcel acreage-based fee assessments, while \$636,181 of the increase is due to Proposition 68 grant proceeds.

Analysis of Changes in Operating Revenues from June 30, 2021, to June 30, 2022:

As of June 30, 2022, the Agency had not begun collecting fees and therefore reported no revenue for fiscal years 2022 and 2021.

OPERATING EXPENSES

	FY 20/21	FY 21/22	FY 22/23
Testing and Reporting	\$ 14,584	\$ 10,807	\$ 20,839
Groundwater Operations	68,343	10,288	568,543
General and Administrative	90,928	129,379	229,764
Total Operating Expenses	\$ 173,855	\$ 150,474	\$ 819,146



CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Changes in Operating Expenses from June 30, 2022, to June 30, 2023:

- Overall expenses increased by \$668,672 or 444%.
- Groundwater operations expense increased by \$558,254 or 5,426% primarily due to an increase in groundwater professional services related to Proposition 68 grant deliverables. Grant-related expenditures are almost entirely offset by grant revenue.
- General and administrative expenses increased by \$100,385 or 78% primarily due an increase in personnel allocations from a related party of \$85,453, or 219%, arising from full implementation of cost allocation in the current year, and to an increase in legal professional services of \$25,175 or 356%, partially offset by a decrease in administrative professional services of \$37,415 or 49% due to completion of a fee study in FY22.

Analysis of Changes in Operating Expenses from June 30, 2021, to June 30, 2022:

- Overall expenses decreased by \$23,381 or 13%.
- Groundwater operations decreased by \$58,054 or 85% primarily due to a decrease in groundwater professional services of \$58,556.
- General and administrative expenses increased by \$38,451 or 42%, primarily due to an increase in administrative professional services of \$61,488 arising from a fee study, partially offset by a decrease in personnel expense of \$33,471, due to timing of the recognition of personnel allocations from a related party in fiscal year 2020/21.

Analysis of Changes in Non-Operating Income and Expenses from June 30, 2022, to June 30, 2023:

For the year ended June 30, 2023, non-operating expenses consisted solely of interest accrued on long-term liabilities in the amount of \$11,431, an increase of \$1,290 or 13%, arising from an increase in loans provided by a related party to fund ongoing operations.

Analysis of Changes in Non-Operating Income and Expenses from June 30, 2021, to June 30, 2022:

For the year ended June 30, 2022, non-operating expenses consisted solely of interest accrued on long-term liabilities in the amount of \$10,142, an increase of \$3,537 or 53.6%, arising from an increase in loans provided by a related party to fund ongoing operations.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENT OF NET POSITION
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current assets:		
Cash in bank	\$ 36,225	\$ 75,044
Grant receivable	367,870	-
Total current assets	<u>404,095</u>	<u>75,044</u>
Total assets	<u>404,095</u>	<u>75,044</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	77,270	39,455
Current portion of related party payable	142,668	105,007
Total current liabilities	<u>219,938</u>	<u>144,462</u>
Long-term liabilities:		
Related party payable	371,411	254,911
Interest payable on related party payable	28,177	16,746
Total long-term liabilities	<u>399,588</u>	<u>271,657</u>
Total liabilities	<u>619,526</u>	<u>416,119</u>
NET POSITION:		
Unrestricted	<u>(215,431)</u>	<u>(341,075)</u>
Total net position	<u>\$ (215,431)</u>	<u>\$ (341,075)</u>

See accompanying notes

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Assessment revenue	\$ 320,022	\$ -
Grant revenue	636,182	-
Total operating revenues	<u>956,204</u>	<u>-</u>
Operating expenses:		
Water quality testing and reporting	20,839	10,807
Groundwater operations	568,543	10,288
General and administrative	229,764	129,379
Total operating expenses	<u>819,146</u>	<u>150,474</u>
Operating income (loss)	<u>137,058</u>	<u>(150,474)</u>
Non-operating income (expenses)		
Interest income	17	-
Interest expense	(11,431)	(10,141)
Net non-operating expenses	<u>(11,414)</u>	<u>(10,141)</u>
Change in net position	125,644	(160,615)
Net position, beginning of year	<u>(341,075)</u>	<u>(180,460)</u>
Net position, end of year	<u>\$ (215,431)</u>	<u>\$ (341,075)</u>

See accompanying notes

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash received from property assessments	\$ 320,039	\$ -
Cash received from grants	268,312	-
Payments to vendors and contractors	<u>(781,331)</u>	<u>(114,249)</u>
Net cash and cash equivalents used by operating activities	<u>(192,980)</u>	<u>(114,249)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds received from related party payable	<u>154,161</u>	<u>45,914</u>
Net cash and cash equivalents provided by noncapital financing activities	<u>154,161</u>	<u>45,914</u>
Decrease in cash and cash equivalents	(38,819)	(68,335)
Cash and cash equivalents, beginning of year	<u>75,044</u>	<u>143,379</u>
Cash and cash equivalents, end of year	<u>\$ 36,225</u>	<u>\$ 75,044</u>
Reconciliation of Change in Net Position to Net Cash Used by Operating Activities:		
Change in net position	\$ 125,644	\$ (160,615)
Adjustments to reconcile change in net position to net cash used by operating activities:		
Increase (decrease) in:		
Grant receivable	(367,870)	-
Accounts payable	37,815	36,225
Interest payable on related party payable	<u>11,431</u>	<u>10,141</u>
Net cash and cash equivalents used by operating activities	<u>\$ (192,980)</u>	<u>\$ (114,249)</u>

See accompanying notes

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Carpinteria Groundwater Sustainability Agency was formed to develop and implement a groundwater sustainability plan (GSP) for the Carpinteria Basin as mandated by the 2014 Sustainable Groundwater Management Act (SGMA). The Agency derives its powers and authorities from SGMA and its four Member Agencies. The Agency was formed through a joint powers agreement (JPA) in January 2020 by the Carpinteria Valley Water District, City of Carpinteria, Santa Barbara County Water Agency, and County of Ventura. It is governed by a five-member Board of Directors, consisting of directors from Carpinteria Valley Water District.

The Carpinteria Groundwater Sustainability Agency (the Agency) reporting entity includes all significant operations and revenue sources of which the Agency's Board of Directors exercises oversight responsibility and is determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by GASB. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

B) Basis of Accounting and Measurement Focus

The Agency is accounted for as an enterprise fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the Agency is accounted for as an enterprise fund, the accrual method of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

An enterprise fund is accounted for on a cost of services or "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long-term, are included in the statement of net position.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the Agency's principal ongoing operations. Operating revenues of the Agency consists of property assessments and groundwater extraction fees from its four-member agencies. Operating expenses of the Agency include program expenses, professional fees, general and administrative, and legal fees.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B) Basis of Accounting and Measurement Focus (Continued)

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

C) Budget

The Agency is required to adopt an annual budget. The budget is presented on the basis of the funding sources available as well as estimated expenditures for the upcoming fiscal year. The annual budget is approved by the Board of Directors in June each year. Once a budget is approved, it can be amended by the Board of Directors.

D) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and funds on deposit with financial institutions available for current use with an initial maturity of three months or less. All deposits are carried at cost plus accrued interest.

F) Net Position

Net position represents the difference between assets and liabilities and is classified into three components as follows:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. The Agency does not have any net investment in capital assets.

Restricted net position consists of assets which are legally restricted by outside parties for use for a specific purpose. The Agency does not have any restricted assets.

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

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the Agency's policy to apply restricted assets first, then unrestricted resources.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

G) Property Assessments

Funding for the operations of the Agency is through property assessments. The Agency levies assessments on a parcel-acreage basis on parcels located within the Carpinteria Groundwater Basin boundary. The Carpinteria Groundwater Basin is located within the boundaries of the County of Santa Barbara and the County of Ventura. The County of Santa Barbara accounts for the majority the assessments revenue.

H) Grant Receivable and Revenue

The Agency recognizes grant revenue when the qualifying expenditures are incurred, all eligibility requirements have been met, and collection of the grant funds is probable. Receipt of funds under the grant is dependent on the approval of submitted expenditures to the Department of Water Resources.

The State withholds 10% of the funds requested by the Agency for reimbursement until the project is completed and the final project completion report is approved.

For the years ended June 30, 2023 and 2022, grant receivable was \$367,870 and \$0, respectively.

I) Future GASB Accounting Pronouncements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the Agency to determine if they will have a material impact to the financial statements once effective.

Statement No. 100 *"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"*

The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24)

Statement No. 101 *"Compensated Absences"*

The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25)

Note 2 – Cash and Cash Equivalents

The Agency's cash and cash equivalents consisted of bank deposits in the amount of \$36,225 and \$75,044 at June 30, 2023 and 2022, respectively.

Authorized Deposits and Investments

The Agency may invest assets in accordance with California Government Code Section 53600. The Agency has no investment policy and the Board of Directors has only approved the use of bank deposits.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – Cash and Cash Equivalents (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency had no investments at year-end.

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 Agency had no investments at year-end.

Custodial Credit Risk for Deposits

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., brokerdealer) to a transaction, a government will not be able to recover the value of this 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, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2023 and 2022, the carrying amount of the Agency's deposits and balance in the financial institution was \$36,225 and \$75,044, respectively, all of which was covered by federal depository insurance.

Note 3 – Commitments and Contingencies

Legal proceedings may arise from the normal conduct of business, but in the opinion of management and legal counsel, these matters will not have a materially adverse effect on the financial position or results of operations of the Agency.

The Agency entered into an agreement with Bondy Groundwater Consulting, Inc. on June 22, 2022 in the amount of \$60,000 for technical support associated with the GSP. As of June 30, 2023, costs in the amount of \$20,539 have been incurred in relation to this agreement.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 3 – Commitments and Contingencies (Continued)

The Agency entered into an agreement with GSI Water Solutions, Inc. on June 22, 2022 in the amount of \$421,800 for services provided in developing a GSP. As of June 30, 2023, costs in the amount of \$231,467 have been incurred in relation to this agreement.

The Agency entered into an agreement with Pueblo Water Resources on June 22, 2022 in the amount of \$256,098 for hydrogeologic services associated with the development of the GSP. As of June 30, 2023, costs in the amount of \$153,166 have been incurred in relation to this agreement.

The Agency entered into an agreement with Pacific Coast Well Drilling on June 6, 2023 in the amount of \$739,310 for El Carro Park groundwater monitoring wells. As of June 30, 2023, no costs have been incurred in relation to this agreement.

Note 4 – Related Party Transactions

On May 6, 2020, Carpinteria Valley Water District, entered into a Grant Agreement on behalf of the Agency with the Department of Water Resources under the Infrastructure Improvement Act of 2014 (Proposition 1) to assist in the Sustainable Groundwater Planning of the GSA. As of July 1, 2022, the Agency began recognizing Proposition 1 grant revenue. Proposition 1 grant revenue was \$636,182 for the year ended June 30, 2023. Prior to July 1, 2022, \$415,558 of Proposition 1 grant revenue was recognized as revenue by a related party, Carpinteria Valley Water District. Total Proposition 1 grant revenue recognized by both entities through June 30, 2023, is \$1,051,740.

Upon the formation and initial operation of the Agency, Carpinteria Valley Water District agreed to advance funds to the Agency in the amount of \$164,340 to pay for certain administrative and program costs. Carpinteria Valley Water District also paid certain formation and operating expenses on behalf of the Agency in the amount of \$149,664. As of June 30, 2023 and 2022, the total outstanding related party note payable was \$514,079 and 359,918, respectively. Interest will accrue at a rate of 3%. Payments started during the fiscal year ending June 30, 2023.

The expected annual repayments of the related party payable are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 142,668	\$ 48,984	\$ 191,652
2025	182,920	11,311	194,231
2026	188,491	5,740	194,231
2027	-	-	-
2028	-	-	-
	<u>\$ 514,079</u>	<u>\$ 66,035</u>	<u>\$ 580,114</u>

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Subsequent Events

Management has evaluated subsequent events through January 24, 2024, the date which the financial statements were available to be issued.

Subsequent to year end, the Agency received loans totaling approximately \$840,000 from Carpinteria Valley Water District, in addition to those disclosed in Note 4. \$100,000 of the loans received from Carpinteria Valley Water District since June 30, 2023, are expected to be repaid within three years. \$740,000 of the loans received from Carpinteria Valley Water District are expected to be repaid from Proposition 1 grant proceeds. The invoice to claim the grant proceeds was submitted to the California Department of Water Resources on December 31, 2023.