

**CARPINTERIA GROUNDWATER
SUSTAINABILITY AGENCY**
June 30, 2021
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 – 2
Management's Discussion and Analysis.....	3 – 6
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10 – 13



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Carpinteria Groundwater Sustainability Agency (the "Agency") as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carpinteria Groundwater Sustainability Agency as of June 30, 2021 and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California

May 11, 2022

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 year ended June 30, 2021. Please read it in conjunction with the Agency's financial statements, which follow this section.

Overview of the 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, 2021, represent the first year of Agency operations. As of June 30, 2021, the Agency has not begun collecting member dues to offset Agency expenses and therefore has a negative net position. The net position of \$(180,460) is unrestricted and has been used to pay for the Agency's operating expenses

Adopted Financial Accounting Standards

All accounting standards applicable to an enterprise fund with a financial statement starting date before July 1, 2021 have been adopted.

Financial Position

Fiscal year 2021 is the first year of operations for the Agency. A major startup task for the Agency is to develop a rate model to allow the Agency to fund its budgeted operating expenses. These rates were not developed as of June 30, 2021, and therefore no member fees were collected for the year ended June 30, 2021. As of June 30, 2021, the Agency relied on loans from Carpinteria Valley Water District, a related party, to fund its operations. The Agency will not be able to analyze the results of operations and identify whether its financial position is improving or deteriorating until it begins to collect member fees.

Condensed Statement of Net Position – Analysis:

	<u>June 30, 2021</u>
Assets:	
Current and other assets	\$ 143,379
Total assets	143,379
Liabilities:	
Current liabilities	3,230
Long-term liabilities	<u>320,609</u>
Total liabilities	323,839
Net position:	
Unrestricted	<u>(180,460)</u>
Total net position	<u><u>\$ (180,460)</u></u>

Analysis of Total Net Position as of June 30, 2021:

As of June 30, 2021, following the first year of operations, net position is \$(180,460). Unrestricted net position, the amount which may be used to meet the Agency's ongoing obligations, accounts for 100% of the net position.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS

Long-Term Liabilities

At the end of the current fiscal year, the Agency had long term liabilities of \$320,609 comprised of funds lent by a related entity, Carpinteria Valley Water District. See Note 3 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, 2021</u>
Operating revenues	\$ -
Operating expenses	<u>173,855</u>
Operating income	(173,855)
Interest and investment income	-
Interest expense	<u>(6,605)</u>
Net non-operating income (expense)	<u>(6,605)</u>
Change in net position	<u>(180,460)</u>
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ (180,460)</u></u>

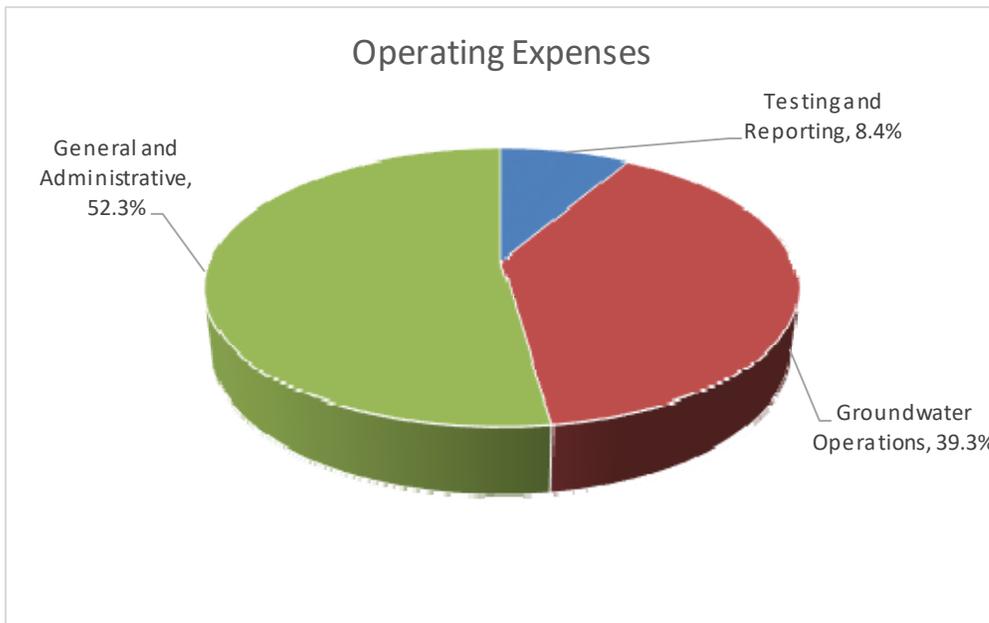
Operating Revenues

As of June 30, 2021 the Agency had not begun collecting member fees and therefore reports no revenue for fiscal year 2021.

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

Operating Expenses

	FY 20/21	% of Total
<u>Operating Expenses</u>		
Testing and Reporting	\$ 14,584	8.4%
Groundwater Operations	68,343	39.3%
General and Administrative	90,928	52.3%
Total Operating Expenses	\$ 173,855	100.0%



For the year ended June 30, 2021, general and administrative expenses accounted for \$90,928, or 52.3%, of operating expenses, primarily related to Agency personnel expenses. Groundwater operations accounted for 39.3% of operating expenses, primarily related to professional services.

Non-Operating Income and Expenses

For the year ended June 30, 2021, non-operating expenses consisted solely of interest accrued on long-term liabilities in the amount of \$6,605.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

STATEMENT OF NET POSITION

June 30, 2021

	<u>2021</u>
ASSETS:	
Current assets:	
Cash in bank	\$ 143,379
Total current assets	<u>143,379</u>
Total assets	<u>143,379</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	3,230
Total current liabilities	<u>3,230</u>
Long-term liabilities:	
Related party payable	314,004
Interest payable on related party payable	6,605
Total long-term liabilities	<u>320,609</u>
Total liabilities	<u>323,839</u>
NET POSITION:	
Unrestricted	<u>(180,460)</u>
Total net position	<u>\$ (180,460)</u>

See accompanying notes

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2021

	2021
Operating expenses:	
Water quality and testing	\$ 14,584
General and administrative	90,928
Professional fees	68,343
Total operating expenses	173,855
Operating loss	(173,855)
Non-operating income (expenses)	
Interest expense	(6,605)
Net non-operating expenses	(6,605)
Change in net position	(180,460)
Net position, beginning of year	-
Net position, end of year	\$ (180,460)

See accompanying notes

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	2021
Cash Flows from Operating Activities:	
Payments to vendors and contractors	\$ (170,625)
Net cash and cash equivalents used by operating activities	(170,625)
Cash Flows from Noncapital Financing Activities:	
Proceeds received from related party payable	314,004
Net cash and cash equivalents provided by noncapital financing activities	314,004
Increase in cash and cash equivalents	143,379
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ 143,379
Reconciliation of Change in Net Position to Net Cash Used by Operating Activities:	
Change in net position	\$ (180,460)
Adjustments to reconcile change in net position to net cash used by operating activities:	
Accounts payable	3,230
Interest payable on related party payable	6,605
Net cash and cash equivalents used by operating activities	\$ (170,625)

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. Starting fiscal year 2023, operating revenues of the Agency will consist of 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) 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.

D) 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.

E) 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.

F) Net Position

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

Restricted – This component of 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 – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Dedicated net position represents unrestricted assets which may be segregated by the Board of Directors for specific future uses.

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) Governmental Accounting Standards Board (GASB) Statements – Future Updates

Statement No. 87 *Leases* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This accounting guidance is effective for periods beginning after June 15, 2021 (FY 21/22) and management is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

Note 2 – 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 District entered into an agreement with Raftelis on April 14, 2021 in the amount of \$64,150 for services provided in adopting a GSA fee and development of a funding strategy. As of June 30, 2021, no costs have been incurred in relation to this agreement.

Note 3 – 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.

Upon the formation and initial operation of the Agency, Carpinteria Valley Water District agreed to advanced 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, 2021, the total outstanding related party note payable was \$314,004. Interest will accrue at a rate of 3%. Payments are expected to begin during the fiscal year ending June 30, 2023.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 3 – Related Party Transactions (Continued)

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>
2022	\$ -	\$ -	\$ -
2023	90,491	26,406	116,897
2024	110,071	6,826	116,897
2025	113,442	3,455	116,897
2026	-	-	-
	<u>\$ 314,004</u>	<u>\$ 36,687</u>	<u>\$ 350,691</u>

Note 4 – COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economics and financial markets of many countries, including the geographical area in which the Agency operates.

Note 5 – Subsequent Events

Management has evaluated subsequent events through May 11, 2022, the date which the financial statements were available to be issued.

The District entered into an agreement with Pueblo Water Resources on January 12, 2022 in the amount \$6,501 for hydrogeologic services associated with updating the water budget for the Carpinteria Groundwater Basin (CGB).