

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024



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**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Carpinteria Groundwater Sustainability Agency
Carpinteria, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Carpinteria Groundwater Sustainability Agency (the Agency), a blended component unit of the Carpinteria Valley Water District (the District), 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 financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2025, and 2024, and the changes in financial position and its 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). For the year ended June 30, 2025, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Financial Statement Presentation

The financial statements present only the Agency, a blended component unit of the District, and do not purport to, and do not present fairly, the financial position of the District as of June 30, 2025, and 2024, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restatement for Correction of an Error

The financial statements of the Agency as of June 30, 2024, were audited by other auditors whose report dated January 22, 2025, expressed an unmodified opinion on those statements. As part of our audit of the 2025 financial statements, we also audited the adjustment described in Note 6 that was applied to restate the 2024 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2024 financial statements of the Agency other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2025, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
November 18, 2025

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, 2025 and 2024. Readers are encouraged to consider the information presented here as complementary to the information contained in the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and a brief description of the Agency's financial position. The Agency is a blended component unit of the Carpinteria Valley Water District ("the District"). All transactions of the Agency are included in the financial statements of the District. These statements present the financial position of just the Agency (Note 1.A). The Agency is accounted for as an enterprise fund in accordance with the generally accepted accounting principles. Enterprise funds are reported using the accrual basis of accounting and account for activities in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed primarily through user rates, fees, and charges.

The Audited Financial Statements provide readers with a broad overview of the Agency's finances and include the following sections: Independent Auditor's Report, Basic Financial Statements and Notes to Basic Financial Statements. Another key component of the Audited Financial Statements is this section, Management's Discussion and Analysis.

REQUIRED FINANCIAL STATEMENTS

The required financial statements include the Statement of Net Position (Balance Sheet), the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows, which collectively offer both short and long-term financial information about the Agency's activities.

The *Statement of Net Position* includes all the Agency's assets, deferred outflows, liabilities, and deferred inflows, which provide information about the nature and amounts of investments in assets and obligations to Agency creditors. This statement reports the net of assets, liabilities and deferred inflows and outflows as Net Position which 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* accounts for the current year's operating revenue, operating expenses, nonoperating revenues and expenses, capital contributions, and the changes associated with the net position. This statement can be used to determine the extent to which the Agency has successfully recovered its costs through its rates and other charges and explain the changes in the beginning and ending balances and changes from year over year.

The *Statement of Cash Flows* provides information about the Agency's cash receipts and payments during the reporting period, as well as net changes in cash resulting from operations, investing, and financing activities, while excluding such non-cash accounting measures as the depreciation of assets. The statement explains where cash came from, where cash was used, and the change in the cash balance during the reporting period. This statement differs from the statement of revenues, expenses, and changes in net position because it accounts only for transactions that result in cash receipts or cash disbursements.

NOTES TO BASIC FINANCIAL STATEMENTS

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE AGENCY

The following analysis provides key financial highlights for the fiscal year ending June 30, 2025, in comparison to the prior fiscal year (FY 2023-24). The source documents for the following condensed tables can be found in the *Basic Financial Statements*. A detailed analysis of the tables' categories and year-to-year changes follow each table.

- For the year ending June 30, 2025, the assets of the Agency exceeded its liabilities by \$867,972. Of this amount, referred to as net position, 14% or \$125,426 is unrestricted and may be used for the Agency's operating expenses, ongoing obligations, and future capital projects. The remaining net position is comprised of net investment in capital assets of \$742,546 or 86%.

Adopted Financial Accounting Standards

During the year ending June 30, 2025, no new accounting standards had a significant impact on the Agency.

Restatements

Restatements totaling \$18,894 were applied to Net Position as of July 1, 2024 (Note 6).

FINANCIAL POSITION

The Agency's overall fiscal position continues to improve since implementing property acreage-based fee assessments in FY 2023-24. There are no restrictions, commitments or other limitations that would significantly affect the availability of fund resources for future use.

CONDENSED STATEMENT OF NET POSITION

	June 30, 2025	<i>Restated</i> ¹ June 30, 2024	June 30, 2023	% Change FYE 2025 and 2024	% Change FYE 2024 and 2023
Assets:					
Current Assets	\$ 653,029	\$ 1,116,936	\$ 404,095	-42%	176%
Long-Term Assets, Net	\$ 742,546	\$ 759,314	\$ -	-2%	100%
Total Assets	<u>1,395,575</u>	<u>1,876,250</u>	<u>404,095</u>	<u>-26%</u>	<u>364%</u>
Liabilities:					
Current Liabilities	12,959	20,665	219,938	-37%	-91%
Long-Term Liabilities	514,644	1,243,583	399,588	-59%	211%
Total Liabilities	<u>527,603</u>	<u>1,264,248</u>	<u>619,526</u>	<u>-58%</u>	<u>104%</u>
Net Position:					
Net Investments in Capital Assets	742,546	759,314	-	0%	100%
Unrestricted	125,426	(147,312)	(215,431)	185%	32%
Total Net Position	<u>\$ 867,972</u>	<u>\$ 612,002</u>	<u>\$ (215,431)</u>	<u>42%</u>	<u>384%</u>

1. The financial statements for the fiscal year ending June 30, 2025, reflect a \$18,894 restatement as of July 1, 2024 (Note 6). For comparative purposes, this table restates the net position as of June 30, 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the twelve months ended June 30, 2025, the Agency's total net position increased by \$255,970 or 42%, over the prior year. The amount of net position invested in capital assets decreased by \$16,768 due to asset depreciation. Unrestricted net position increased by \$272,738 primarily due to a decrease in operating expenses.

For the twelve months ended June 30, 2024, the Agency's total net position increased by \$827,433 or 384%, over the prior year. Net investment in capital assets increased by \$759,314 due to completion of the construction of a monitoring well. Unrestricted net position, the amount which may be used to meet the Agency's ongoing obligations, increased by \$272,738 or 185%, primarily due to a decrease in operating expenses.

Long-Term Liabilities

At the end of the current fiscal year, the Agency had long-term liabilities of \$514,644, comprised of operating funds lent by a related party, Carpinteria Valley Water District. Long-term liabilities decreased \$728,939 or 59% due to the use of Agency grant revenues for debt pay down. See Note 3 for additional detailed information about the Agency's long-term liability.

As of June 30, 2024, the Agency had long-term liabilities of \$1,243,583, comprised of operating and capital project funds lent by a related party, Carpinteria Valley Water District. Long-term liabilities increased \$843,995 or 211% over the prior fiscal year primarily due to related party funds advanced for the construction of a monitoring well. See Note 3 for additional detailed information about the Agency's long-term liability.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2025	<i>Restated</i> ¹ June 30, 2024	June 30, 2023	% Change FYE 2025 and 2024	% Change FYE 2024 and 2023
Operating Revenues	\$ 572,573	\$ 612,953	\$ 956,204	-7%	-36%
Operating Expenses	299,849	494,985	819,146	-39%	-40%
Operating Income	<u>272,724</u>	<u>117,968</u>	<u>137,058</u>	<u>131%</u>	<u>-14%</u>
Interest and Investment Income	-	-	17	0%	-100%
Interest Expense	(16,754)	(4,841)	(11,431)	246%	-58%
Net Non-Operating Expenses	<u>(16,754)</u>	<u>(4,841)</u>	<u>(11,414)</u>	<u>246%</u>	<u>-58%</u>
Excess (Deficiency) before Capital Contributions	255,970	113,127	125,644	126%	-10%
Capital Contributions	-	714,306	-	-100%	100%
Change in Net Position	<u>255,970</u>	<u>827,433</u>	<u>125,644</u>	<u>-69%</u>	<u>559%</u>
Net Position, Beginning of Year	612,002	(215,431)	(341,075)	384%	-37%
Net position, End of Year	<u>\$ 867,972</u>	<u>\$ 612,002</u>	<u>\$ (215,431)</u>	<u>-42%</u>	<u>-119%</u>

- The financial statements for the fiscal year ending June 30, 2025, reflect a \$18,894 restatement as of July 1, 2024 (Note 6). For comparative purposes, this table restates FY 2023-24 operating revenue and the June 30, 2024, net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING REVENUES

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
<u>Operating Revenues</u>					
Assessments Revenue	\$ -	\$ -	\$ 320,022	\$ 436,099	\$ 572,573
Grant Revenue	-	-	636,182	176,854	-
Total Operating Revenues	\$ -	\$ -	\$ 956,204	\$ 612,953	\$ 572,573

Analysis of Changes in Operating Expenses from June 30, 2024, to June 30, 2025:

- Assessment revenue increased \$136,474, or 31% over the fiscal year ended June 30, 2024, due to an increase in assessment fees.
- Operating grants decreased \$176,854 or 100% over the prior year due to completion of the grant-funded Groundwater Sustainability Plan.

Analysis of Changes in Operating Expenses from June 30, 2023, to June 30, 2024:

- Assessment revenue increased by \$116,077 or 36% over the fiscal year ended June 30, 2023, primarily due to the implementation of parcel acreage-based fee assessment.
- Operating grants decreased \$459,328 or 72% over the prior year due to reduction in grant funds related to the preparation of the Groundwater Sustainability Plan.

OPERATING EXPENSES

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Testing and Reporting	\$ 14,584	\$ 10,807	\$ 20,839	\$ 76,899	\$ 64,017
Groundwater Operations	68,343	10,288	568,543	248,572	31,589
General and Administrative	90,928	129,379	229,764	169,513	171,958
Depreciation	-	-	-	-	32,285
Total Operating Expenses	\$ 173,855	\$ 150,474	\$ 819,146	\$ 494,984	\$ 299,849

Analysis of Changes in Operating Expenses from June 30, 2024, to June 30, 2025:

- Overall expenses decreased by \$195,315 or 40% over the fiscal year ended June 30, 2024.
- Groundwater operations expense decreased by \$216,983 or 87% over the prior fiscal year, primarily due to a decrease in groundwater professional services related to the grant-funded Groundwater Sustainability Plan.

Analysis of Changes in Operating Expenses from June 30, 2023, to June 30, 2024:

- Overall expenses decreased by \$324,162 or 40% over the fiscal year ended June 30, 2024.
- Groundwater operations expense decreased by \$319,971 or 56% primarily due to an increase in groundwater professional services related to the grant-funded Groundwater Sustainability Plan.
- Testing and reporting increased \$56,060 or 269% primarily due to testing requirements related to operating the newly constructed monitoring well.
- General and administrative expense decreased \$60,251 or 26% primarily due to a decrease in professional services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Changes in Non-Operating Income and Expenses from June 30, 2024, to June 30, 2025:

For the year ended June 30, 2025, non-operating expenses consisted solely of interest accrued on long-term liabilities in the amount of \$16,754, an increase of \$11,913 or 246% over the prior fiscal year, arising from an increase in interest-bearing loans provided by a related party to fund ongoing operations (Note 3).

Analysis of Changes in Non-Operating Income and Expenses from June 30, 2023, to June 30, 2024:

For the year ended June 30, 2024, non-operating expenses consisted solely of interest accrued on long-term liabilities in the amount of \$4,841, a decrease of \$6,590 or 58% over the prior fiscal year, arising from a decrease in interest-bearing loans provided by a related party to fund ongoing operations (Note 3).

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024**

	2025	2024 As Restated
ASSETS		
Current Assets:		
Cash in Bank	\$ 632,312	\$ 200,708
Grant Receivable	-	892,501
Assessment Fee Receivable	17,717	23,727
Prepaid Items	3,000	-
Total Current Assets	653,029	1,116,936
Capital Assets:		
Property and Equipment, Net	742,546	-
Construction in Progress	-	759,314
Total Capital Assets	742,546	759,314
 Total Assets	 1,395,575	 1,876,250
LIABILITIES		
Current Liabilities:		
Accounts Payable	12,959	20,665
Current Portion of Related Party Payable	300,000	950,463
Total Current Liabilities	312,959	971,128
Long-Term Liabilities:		
Related Party Payable	208,392	260,102
Interest Payable on Related Party Payable	6,252	33,018
Total Long-Term Liabilities	214,644	293,120
 Total Liabilities	 527,603	 1,264,248
NET POSITION		
Net Investments in Capital Assets	742,546	759,314
Unrestricted	125,426	(147,312)
 Total Net Position	 \$ 867,972	 \$ 612,002

See accompanying Notes to Basic Financial Statements.

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024 As Restated
OPERATING REVENUES		
Assessment Revenue	\$ 571,573	\$ 436,099
Grant Revenue	-	891,160
Other	1,000	-
Total Operating Revenues	572,573	1,327,259
OPERATING EXPENSES		
Water Quality Testing and Reporting	64,017	76,899
Groundwater Operations	31,589	248,572
General and Administrative	171,958	169,514
Depreciation	32,285	-
Total Operating Expenses	299,849	494,985
OPERATING INCOME	272,724	832,274
NONOPERATING EXPENSE		
Interest Expense	(16,754)	(4,841)
CHANGE IN NET POSITION	255,970	827,433
Net Position - Beginning of Year	612,002	(215,431)
NET POSITION - END OF YEAR	\$ 867,972	\$ 612,002

See accompanying Notes to Basic Financial Statements.

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Property Assessments	\$ 578,583	\$ 412,372
Cash Received from Grants	892,501	366,529
Payments to Vendors and Contractors	<u>(278,270)</u>	<u>(551,590)</u>
Net Cash Provided by Operating Activities	1,192,814	227,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds Received from Related Party Payable	146,628	323,015
Repayment of Related Party Payable	<u>(152,321)</u>	<u>(366,529)</u>
Net Cash Used by Noncapital Financing Activities	(5,693)	(43,514)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(15,517)	(759,314)
Proceeds Received from Related Party Payable	-	740,000
Repayment of Related Party Payable	<u>(740,000)</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	<u>(755,517)</u>	<u>(19,314)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	431,604	164,483
Cash and Cash Equivalents - Beginning of Year	<u>200,708</u>	<u>36,225</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 632,312</u></u>	<u><u>\$ 200,708</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 272,724	\$ 832,274
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	32,285	-
(Increase) Decrease in:		
Grant Receivable	892,501	(524,631)
Assessment Fee Receivable	6,010	(23,727)
Prepaid Items	(3,000)	-
Increase (Decrease) in:		
Accounts Payable	(7,706)	(56,605)
Net Cash Provided by Operating Activities	<u><u>\$ 1,192,814</u></u>	<u><u>\$ 227,311</u></u>

See accompanying Notes to Basic Financial Statements.

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Carpinteria Groundwater Sustainability Agency (the 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 (the 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 the District, with optional director seats for each of the other participating agencies, which are vacant.

The Agency is a blended component unit of the District. The District appoints a majority of the Agency's Board of Directors and exercises oversight responsibility, including the ability to designate management, influence operations, and maintain accountability for fiscal matters. Accordingly, all accounts and transactions of the Agency are included in the financial statements of the Carpinteria Valley Water District. These financial statements, however, present the financial position and activities of the Agency only.

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 using the *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 nonoperating 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 for groundwater extraction from its four-member agencies and property owners. Operating expenses of the Agency include program expenses, professional fees, general and administrative, and legal fees.

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**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. 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.

There was no outstanding grant receivable for the year ended June 30, 2025. For the year ended 2024, grant receivable was \$892,501.

CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

G. Capital Assets

Property, plant and equipment are valued at cost. The capitalization threshold for all capital asset purchases is \$5,000. Donated property is valued at estimated acquisition value on the date donated. The assets, excluding land, are depreciated or amortized using the straight line method over estimated useful lives.

Estimated useful lives are:

Wells 30 Years

H. Property Assessments

Funding for the operations of the Agency is through property assessments. For year ended June 30, 2025, the Agency levied assessments based on estimated groundwater pumping from fiscal year 2022 utilizing crop modeling and crop water demand factors. For year ended June 30, 2024, the Agency levied 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 assessment revenue.

I. 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.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 CASH AND CASH EQUIVALENTS

The Agency's cash and cash equivalents consisted of bank deposits in the amount of \$632,312 and \$200,708 at June 30, 2025 and 2024, 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.

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 June 30, 2025 and 2024.

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 June 30, 2025 and 2024.

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. None of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 3 RELATED PARTY TRANSACTION

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 *California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018* (Proposition 68) or the *Water Quality, Supply, and Infrastructure Improvement Act of 2014* (Proposition 1) to assist in financing the Agency’s Carpinteria Groundwater Basin Groundwater Sustainability Plan development. As of July 1, 2022, the Agency began recognizing Proposition 68 grant revenue. Proposition 68 grant revenue was \$891,160 for the year ended June 30, 2024. Prior to July 1, 2022, \$415,558 of Proposition 68 grant was recognized as revenue by a related party, Carpinteria Valley Water District. Total Proposition 68 grant revenue recognized by both entities through June 30, 2024, is \$1,942,900, which was the total grant award.

Upon the formation and initial operation of the Agency, Carpinteria Valley Water District paid certain formation expenses and agreed to advance funds to the Agency for certain administrative and operating costs. Additionally, during fiscal year June 30, 2024, Carpinteria Valley Water District loaned the Agency \$740,000 to cover costs associated with the El Carro well project until grant funds were received. As of June 30, 2025 and 2024, the total outstanding related party note payable was \$464,872 and \$1,210,565, respectively. Interest will accrue at a rate of 3%. Payments started during the fiscal year ended 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>
2026	\$ 291,262	\$ 8,738	\$ 300,000
2027	208,392	6,252	214,644
Total	<u>\$ 499,654</u>	<u>\$ 14,990</u>	<u>\$ 514,644</u>

**CARPINTERIA GROUNDWATER SUSTAINABILITY AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 6 RESTATEMENT – CORRECTION OF AN ERROR

The Agency determined that \$18,894 of assessment revenue recorded during fiscal year 2025 was for assessments levied in the prior fiscal year. Therefore, a restatement in the amount of \$18,894 was required to include the assessment fee receivable and related assessment revenue for the year ended June 30, 2024.



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