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Sonoma Valley Groundwater Sustainability Agency

Independent Auditor's Reports and
Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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Assets:		
Current assets:		
Cash and investments	$	190,017
Accounts receivable		398,224
Prepaid expense		319
Total current assets		588,560
Total assets		588,560
Liabilities:		
Current liabilities		
Accounts payable		333,847
Total liabilities		333,847
Net position:		
Unrestricted		254,713
Total net position	$	254,713

Operating revenues:		
Member fees	$	110,000
In-kind member fees		125,000
Total operating revenues		235,000
Operating expenses:		
Services and supplies		682,112
In-kind services		125,000
Total operating expenses		807,112
Operating loss		(572,112)
Nonoperating revenues:		
Investment earnings		515
Intergovernmental revenue		560,131
Total nonoperating revenues		560,646
Change in net position		(11,466)
Net position, beginning of year		266,179
Net position, end of year	$	254,713

Cash flows from operating activities		
Receipts from member agencies	$	141,678
Payments to suppliers		(565,597)
Net cash used by operating activities		(423,919)
Cash flows from noncapital financing activities		
Intergovernmental receipts		369,213
Cash flows from investing activities		
Interest received		515
Net decrease in cash and cash equivalents		(54,191)
Cash and cash equivalents, beginning of the year		244,208
Cash and cash equivalents, end of the year	$	190,017
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(572,112)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Decrease in accounts receivable		31,679
Decrease in prepaid expense		68
Increase in accounts payable		116,446
Net cash used by operating activities	$	(423,919)
Non-cash investing, capital, and financing activities:		
Increase in grants receivable		190,918

Note A. Summary of Significant Accounting Policies

Reporting Entity

The Sonoma Valley Groundwater Sustainability Agency (the Agency) was formed in June 2017 by a joint exercise of powers agreement among the Sonoma Resource Conservation District, the North Bay Water District, the City of Sonoma, Valley of the Moon Water District, the County of Sonoma, and the Sonoma County Water Agency (Sonoma Water).

The Agency was formed to cooperatively carry out the requirements of the Sustainable Groundwater Management Act (SGMA), including serving as Groundwater Sustainability Agency (GSA) for the Sonoma Valley Groundwater Basin.

The Sonoma Valley Groundwater Basin was originally designated in Department of Water Resources Bulletin No. 118 as a medium priority basin. However, in 2019, the basin was reprioritized as high priority. For all medium and high priority basins, the SGMA requires the designation of a GSA for the purpose of achieving groundwater sustainability through the adoption and implementation of a Groundwater Sustainability Plan (GSP). The SGMA requires the formation of GSAs by June 30, 2017, and the adoption of GSPs by January 31, 2022.

The Agency is governed by a Board of Directors, with one Director from each of the six member agencies. In addition, the Agency has an advisory committee consisting of representatives from each member agency, and representatives from the local agricultural community, rural residential well owners, the local business community, environmental interests, and the community at large. The Agency's activities are currently funded by member fees.

During the fiscal year ended June 30, 2021, Sonoma Water provided grant application, grant management, outreach, communication, administrative and technical services; Parker Groundwater provided facilitation services; and Sonoma Ecology Center provided seepage monitoring services.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities (whether current or noncurrent) associated with Agency operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

The Agency's Enterprise Fund financial statements report business-type activities financed in whole or in part by member fees. Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges such as member fees.

Note A. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Operating revenues and expenses are distinguished from non-operating items in the statement of revenues, expenses and changes in net position. Operating revenues, such as member fees, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as investment earnings and grant revenues, result from non-exchange transactions or ancillary activities. Operating expenses for enterprise funds include services and supplies. All expenses not falling within these categories are reported as non-operating expenses.

Cash and Investments

For purpose of the statement of cash flows, the Agency has defined cash equivalents to include investments within the County of Sonoma treasury pool that are not restricted as to use. The Agency applies the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, which require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

Net Position Components

Net position consists of the following three components:

Net investment in capital assets (if any) - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position (if any) - This component of net position consists of net position with externally imposed limits on its use.

Unrestricted net position - This component of net position consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

Member Fees and In-Kind Member Fees

Funding for the operation of the Agency is through member fees. Member fees are paid in cash, in-kind services in-lieu of cash, or a combination of both.

Note A. Summary of Significant Accounting Policies (continued)

Member Fees and In-Kind Member Fees (continued)

The Agency follows standards relating to in-kind services received as member fees consistent with FASB ASC Topic 958 Not-for-Profit Entities. These accounting standards require recording the value of in-kind services that create or enhance non-financial assets or require specialized skills as both revenue and expense in the period in which the services are performed.

Intergovernmental Revenue

Intergovernmental revenue consists of a grant from the State of California. Revenue is recognized based on the terms of the grant agreement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note B. Cash and Investments

The Agency follows the County's practice of pooling cash and investments with the County Treasurer, who acts as a disbursing agent for the Agency. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Investment Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's prorated share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis.

Amortized cost: $190,116

Fair value: $190,017

The Agency's fair value of the cash investment with the Treasurer is $99 less than the amortized cost of those investments.

Note B. Cash and Investments (continued)

Investment Guidelines

The Agency's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403-2871.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2021, approximately 31 percent of the securities in the Treasury pool had maturities of one year or less. Of the remainder, only less than 1% had a maturity of more than five years.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2020-2021 Sonoma County Annual Comprehensive Financial Report.

Note C. Accounts Receivable

As of June 30, 2021, the Agency has $398,224 in accounts receivable related to grant funding. The Agency has not recorded an allowance for uncollectible receivables as it deems all receivables as fully collectible.

Note D. Member Fees and In-Kind Member Fees

Member fees for the year ending June 30, 2021 were recorded as follows:

Member	Cash Member Fees	In-Kind Member Fees	Total
Sonoma Resource Conservation District	$ 10,000	$ -	$ 10,000
North Bay Water District	10,000	-	10,000
City of Sonoma	25,000	-	25,000
Valley of the Moon Water District	25,000	-	25,000
County of Sonoma	40,000	-	40,000
Sonoma Water	-	125,000	125,000
Total	$ 110,000	$ 125,000	$ 235,000

Cash member fees are member fees paid in cash on or before June 30, 2021. In-kind member fees are member fees in the form of professional and operational services.

Note E. Risk Management

The Agency is exposed to various risks for which the Agency carries insurance through the Association of California Water Agencies Joint Powers Insurance Authority with coverage for general liability and auto liability, for $1,000,000 per occurrence.

Note F. Related Party Transactions

During the fiscal year ended June 30, 2021, member agencies provided $427,344 in professional services, partially in the form of in-kind services provided in lieu of cash. Sonoma Water provided grant application, outreach, administrative and technical services. Of the total professional services, $286,403 was owed as of June 30, 2021.

Member	In-Kind Services	Services and Supplies	Total Professional Services	Accounts Payable
Sonoma Water	$ 125,000	$ 302,344	$ 427,344	$ 286,403