AGENDA

SPADRA BASIN GSA

EXECUTIVE COMMITTEE MEETING
https://us05web.zoom.us/j/7725727300?pwd=eXFLUGxxczJSeDc1RU5BazlEVitDdz09&omn=82092006533
Meeting ID: 772 572 7300
Passcode: 7Xv8qp
(Computer and Telephone Audio Accessible)

TUESDAY, JANUARY 2, 2024, AT 3:30 P.M.

Commissioner Nolte: 280 S 2080 E, Springville, UT 84663

Commissioner Tang: Walnut Valley Water District - 271 S. Brea Canyon Road, Walnut, CA 91789

Any member of the public wishing to make any comments to the Committee may do so by accessing the above-referenced link where they may select the option to join via webcam or teleconference. The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making his or her comment.

1. Call to Order and Pledge of Allegiance

2. Roll Call

Party		Representatives		Alternates		
City of Pomona	___	John Nolte	___	Victor Preciado	___	Chris Diggs
Walnut Valley Water District	___	Jerry Tang	___	Theresa Lee		

3. Public Comment – The presiding officer of the Executive Committee may impose reasonable limitations on public comments to assure an orderly and timely meeting.

4. Approval of 2022-23 Audited Financial Statements
   A. Discussion B. Action Taken

5. Consider Approval of Minutes for the Special Executive Meeting Held December 4, 2023
   A. Discussion B. Action Taken

6. Future Discussion Items

7. Adjournment
   Next scheduled Executive Committee Meeting to be held Monday, March 4, 2024 at 3:30 p.m.

Spadra Basin GSA – Staff Report

TO:	Executive Committee
FROM:	Treasurer
DATE:	January 2, 2022
SUBJECT:	2022-23 Audited Financial Statements

☑ **Action/Discussion** ☑ **Fiscal Impact** ☐ **Resolution** ☐ **Information Only**

Recommendation

That the Executive Committee approve the

A. 2022-23 Audited Financial Statements; and
B. Management Report

Background

The Fiscal Year (FY) 2022-2023 Agency's audit consists of five parts, which are provided as attachments:

- Independent Auditor's Report: An audit report cover letter from Fedak & Brown, LLP outlining the auditor's professional responsibilities, accounting basis, and opinion on whether the financial statements comply with Generally Accepted Accounting Practices (GAAP).
- Auditor Report on Internal Controls: A report identifying and disclosing any material weaknesses or significant deficiencies in internal controls.
- Management's Discussion and Analysis: This section summarizes the financial statements and explains any major changes from the prior fiscal year to the current fiscal year.
- Spadra Basin Groundwater Sustainability Agency Financial Statements: A depiction of the agency's activities FY 2022/2023.
- Notes to the Basic Financial Statements: The footnotes provide information in greater detail on the Agency's financial policies, accounting, retirement plan, and other financial matters.

In preparation for and during the audit, Agency staff prepared materials and worked directly with the auditing team. In addition to a review of these documents, the audit team performed fieldwork to complete the audit process.

The auditor found the Agency's financial reporting to be in compliance with Generally Accepted Accounting Principles, and as such, issued an Unqualified Opinion, the highest level opinion an entity can receive. Additionally, the Report on Internal Controls noted that the Agency had no significant deficiencies or material weaknesses in internal controls. Further, the auditor noted no transactions that were both significant and unusual, and no misstatements were identified during the audit.

Spadra Basin Groundwater Sustainability Agency
Walnut, California

Annual Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

<u>Our Mission Statement</u>

"To manage and protect groundwater resources in the Spadra Basin and promote its beneficial uses for the people, businesses and stakeholders it serves."

Spadra Basin Groundwater Sustainability Agency

Executive Committee Members as of June 30, 2023

Name	Title	Stakeholder
John Nolte	Committee Member	City of Pomona
Jerry Tang	Committee Member	Walnut Valley Water District
Victor Preciado	Alternate	City of Pomona
Teresa Lee	Alternate	Walnut Valley Water District

Spadra Basin Groundwater Sustainability Agency
Josh Byerrum, Treasurer
271 S Brea Canyon Rd.
Walnut, California 91789
(909) 595-7554 – www.spadrabasin.com

Spadra Basin Groundwater Sustainability Agency
Annual Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022

Table of Contents

< Page Intentionally Left Blank >

Financial Section

Independent Auditor's Report

Executive Committee
Spadra Basin Groundwater Sustainability Agency
Walnut, California

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 Audits 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 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 audits.
- 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 audits 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 audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

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 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2024, 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 Agency's internal control over financial reporting and compliance. This report can be found on pages 20 and 21.

C.J. Brown & Company CPAs
Cypress, California
January 2, 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Spadra Basin Groundwater Sustainability Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal year ended June 30, 2023 and 2022. We encourage readers to consider the information presented here with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2023, the Agency's net position increased by $730,991 to $980,011. In 2022, the Agency's net position increased by $119,569 to $249,020.
- In 2023, the Agency's operating revenues increased by $95,431 to $341,519. In 2022, the Agency's operating revenues increased by $67,728 to $246,088.
- In 2023, the Agency's operating expenses decreased by $136,569 to $109,519. In 2022, the Agency's operating expenses increased by $67,728 to $246,088.
- In 2023, the Agency's non-operating revenue decreased by $25,089 to $94,480. In 2022, the Agency's non-operating revenue increased by $14,859 to $119,569.
- In 2023, the Agency's depreciation expense increased by $13,949 to $13,949. In 2022, the Agency had no reportable non-operating expenses.
- In 2023, the Agency's capital contributions increased by $418,460 to $418,460. In 2022, the Agency had no reportable capital contributions.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and creditworthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Financial Analysis of the Agency, continued

These two statements report the Agency's net position and changes in it. One can think of the Agency's net position – the difference between assets plus deferred outflows of resources, less liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 19.

Statements of Net Position

Condensed Statements of Net Position

	2023	2022	Change	2021	Change
Assets:					
Current assets	$ 584,228	261,770	322,458	144,808	116,962
Capital assets, net	404,511	-	404,511	-	-
Total assets	988,739	261,770	726,969	144,808	116,962
Liabilities:					
Current liabilities	8,728	12,750	(4,022)	15,357	(2,607)
Total liabilities	8,728	12,750	(4,022)	15,357	(2,607)
Net position:					
Net investement in capital assets	404,511	-	404,511	-	-
Unrestricted	575,500	249,020	326,480	129,451	119,569
Total net position	$ 980,011	249,020	730,991	129,451	119,569

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by $980,011 and $249,020 as of June 30, 2023 and 2022, respectively.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

		2023	2022	Change	2021	Change
Revenues:						
Operating revenues	$	341,519	246,088	95,431	178,360	67,728
Non-operating revenues		94,480	119,569	(25,089)	104,710	14,859
Total Revenues		435,999	365,657	70,342	283,070	82,587
Expenses:						
Operating expenses		109,519	246,088	(136,569)	178,360	67,728
Depreciation expense		13,949	-	13,949	-	-
Total Expenses		123,468	246,088	(122,620)	178,360	67,728
Net income before capital contributions		312,531	119,569	192,962	104,710	14,859
Capital contributions		418,460	-	418,460	-	-
Change in net position		730,991	119,569	611,422	104,710	14,859
Net position, beginning of year		249,020	129,451	119,569	24,741	104,710
Net position, end of year	$	980,011	249,020	730,991	129,451	119,569

The Statements of Revenues, Expenses, and Changes in Net Position shows how the Agency's net position changed during the fiscal year. In the case of the Agency, the net position increased $730,991 to $980,011, due to $418,460 in capital contributions, and net income of $312,531 from ongoing operations. In the fiscal year 2022, the Agency's net position increased $119,569 to $249,020, as a result of non-operating revenue.

In fiscal year 2023, the Agency's operating revenues increased $95,431 to $341,519, primarily due to an increase of $104,424 in member assessments. In fiscal year 2022, the Agency's operating revenues increased $67,728 to $246,088, primarily due to an increase of $66,009 in member assessments.

In fiscal year 2023, the Agency's operating expenses decreased $136,569 to $109,519, primarily due to a decrease of $127,576 in expenses related to the Agency's Ground Water Sustainability Plan. In fiscal year 2022, the Agency's operating expenses increased $67,728 to $246,088, primarily due to an increase of $66,009 in expenses related to the Agency's Ground Water Sustainability Plan.

In fiscal year 2023, the Agency's non-operating revenue decreased $25,089 to $94,480 sourcing from a Department of Water Resources sustainable groundwater planning grant. In fiscal year 2022, the Agency's non-operating revenue increased $14,859 to $119,569 sourcing from a Department of Water Resources sustainable groundwater planning grant.

In fiscal year 2023, the Agency's capital contributions increased to $418,460, primarily due to increases of $232,000 in contributions from other agencies, sourcing from Three Valleys Municipal Water District for a new monitoring well, and $186,460 in contributions from member agencies, sourcing from Walnut Valley Water District and the City of Pomona. In fiscal year 2022, the Agency had no capital contributions.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present, and future periods.

Requests for Information

This financial report is designed to provide the Agency's present users, including funding sources, members, stakeholders, and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's Treasurer, Josh Byerrum at Spadra Basin Groundwater Sustainability Agency at 271 S. Brea Canyon Rd., Walnut, California 91789 or (909) 595-7554.

Basic Financial Statements

Spadra Basin Groundwater Sustainability Agency
Statements of Net Position
June 30, 2023 and 2022

		2023	2022
Current assets:			
Cash and cash equivalents (note 2)	$	343,493	193,972
Accounts receivable – member agencies		240,735	67,798
Total current assets		584,228	261,770
Non-current assets:			
Capital assets – being depreciated, net (note 3)		404,511	-
Total non-current assets		404,511	-
Total assets		988,739	261,770
Current liabilities:			
Accounts payable – member agencies		8,728	12,750
Total current liabilities		8,728	12,750
Net position (note 4)**:**			
Net investment in capital assets		404,511	-
Unrestricted		575,500	249,020
Total net position	$	980,011	249,020

See accompanying notes to the basic financial statements

Spadra Basin Groundwater Sustainability Agency
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

		2023	2022
Operating revenues:			
Administrative assessments	$	9,551	18,544
Member assessments		331,968	227,544
Total operating revenues		341,519	246,088
Operating expenses:			
General and administrative		9,551	18,544
Groundwater Sustainability Plan		99,968	227,544
Total operating expenses		109,519	246,088
Operating income before depreciation expense		232,000	-
Depreciation expense		(13,949)	-
Operating income		218,051	-
Non-operating revenue:			
Sustainable Groundwater Planning Grant – Dept. Water Resources		94,480	119,569
Net income before capital contributions		312,531	119,569
Capital contributions:			
Capital Contribution - Agency		186,460	-
Capital Contribution - Other		232,000	-
Total capital contributions		418,460	-
Change in net position		730,991	119,569
Net position, beginning of year		249,020	129,451
Net position, end of year	$	980,011	249,020

See accompanying notes to the basic financial statements

Spadra Basin Groundwater Sustainability Agency
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Cash receipts from administrative and member assessments	$	168,582	265,276
Cash paid to vendors and suppliers for materials and services		(113,541)	(248,695)
Net cash provided by operating activities		55,041	16,581
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(418,460)	-
Capital contributions		418,460	-
Cash received from grants		94,480	119,569
Net cash provided by capital and related financing activities		94,480	119,569
Net increase in cash and cash equivalents		149,521	136,150
Cash and cash equivalents – beginning of year		193,972	57,822
Cash and cash equivalents – end of year	$	343,493	193,972
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income	$	232,000	-
Changes in assets and liabilities			
Decrease (increase) in assets:			
Accounts receivable – member assessments		(172,937)	19,188
Decrease in liabilities :			
Accounts payable – member assessments		(4,022)	(2,607)
Total adjustments		(176,959)	16,581
Net cash provided by operating activities	$	55,041	16,581

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Spadra Basin Groundwater Sustainability Agency (Agency) was formed in February 28, 2017 by the execution of a Memorandum of Agreement between Walnut Valley Water District (WVWD) and the City of Pomona (City) to meet the requirements of the Sustainable Groundwater Management Act of 2014. The Agency's purpose is to develop and implement a Groundwater Sustainability Plan to sustainably manage the Basin in compliance with the Act's requirements. The Spadra basin is located in the San Gabriel Valley, in the western portion of the City of Pomona. The Agency is governed by an appointed Executive Committee comprised of one member and one alternative member from WVWD and the City.

B. Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of managing the basin on a continuing basis be financed or recovered primarily through member assessments, capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenue and non-operating expenses, respectively.

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency solely operates as a special-purpose government, which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The Agency has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap;(6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

D. Assets, Liabilities, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially, all of the Agency's cash is held in a financial institution bank account. The Agency considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Position, continued

2. Accounts Receivable

The Agency extends credit to its members in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems accounts uncollectible, the Agency uses the direct write off method for the write-off those accounts to bad debt expense. As of June 30, 2023, and 2022, there is no allowance for uncollectible accounts as management believes all accounts will be collected, respectively.

3. Revenue Recognition

Assessments are recognized as revenue at the time each member agency is invoiced.

4. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at acquisition value at the date of the donation. Capital assets received in service concession arrangements are reported at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Monitoring wells – 20 years

5. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – Consists of capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted** – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- **Unrestricted** – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

		2023	2022
Cash and cash equivalents	$	343,493	193,972

Cash and cash equivalents as of June 30, consist of the following:

		2023	2022
Deposits with financial institutions	$	343,493	193,972
Total cash and cash equivalents	$	343,493	193,972

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local 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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

(3) Capital Assets

Changes in capital assets for the year ended June 30, 2023, were as follows:

		Balance 2022	Additions	Deletions/ Transfers	Balance 2023
Depreciable assets:					
Monitoring Well	$	-	418,460	-	418,460
Total depreciable assets		-	418,460	-	418,460
Accumulated depreciation:					
Monitoring Well		-	(13,949)	-	(13,949)
Total accumulated depreciation		-	(13,949)	-	(13,949)
Total depreciable assets, net	$	-	404,511	-	404,511

For the fiscal years ending June 30, 2023 and 2022, the Agency had $418,460 and $0 in additions to the Agency's Monitoring Well, respectively. There was no capital asset activity for the year ended June 30, 2022.

(4) Net Position

Calculation of net position as of June 30, was as follows:

		2023	2022
Net investment in capital assets	$	404,511	-
Unrestricted		575,500	249,020
Total net position	$	980,011	249,020

(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 99, continued

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(6) Contingencies

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Awards

Grant funds received by the Agency are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

(7) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of January 2, 2024, which is the date the financial statements were available to be issued.

< Page Intentionally Left Blank >

Report on Internal Controls and Compliance

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Executive Committee
Spadra Basin Groundwater Sustainability Agency
Walnut, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Spadra Basin Groundwater Sustainability Agency (Agency) as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated January 2, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs
Cypress, California
January 2, 2024

Spadra Basin Groundwater Sustainability Agency

Management Report

June 30, 2023

Spadra Basin Groundwater Sustainability Agency

Management Report

Table of Contents

Executive Committee
Spadra Basin Groundwater Sustainability Agency
Walnut, California

Dear Members of the Executive Committee:

In planning and performing our audit of the financial statements of the Spadra Basin Groundwater Sustainability Agency (Agency) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Agency internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Current Year Comment and Recommendation

<u>Disclosure of Audit Adjustments and Reclassifications</u>

As your external auditor, we assume that the books and records of the Agency are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Executive Committee to gain a full and complete understanding and appreciation of the scope and extent of the audit process, we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Executive Committee with a better understanding of the scope of the audit.

Current Year Comment and Recommendation, continued

Management's Response

We have reviewed and approved the audit adjustment entries provided by the auditor and have entered the entries into the Agency's accounting system.

* * * * * * * * * *

This communication is intended solely for the information and use of management, Executive Committee, and others within the Agency, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company CPAs
Cypress, California
January 2, 2024

APPENDIX

Spadra Basin Groundwater Sustainability Agency

Audit/Finance Committee Letter

June 30, 2023

Executive Committee
Spadra Basin Groundwater Sustainability Agency
Walnut, California

We have audited the financial statements of the Spadra Basin Groundwater Sustainability Agency (Agency) for the year ended June 30, 2023, and have issued our report thereon dated January 2, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 21, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated January 2, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards:

As the auditor of the Agency, we are required per AU-C Section 240, "Consideration of Fraud in a Financial Statement Audit", to "ordinarily" presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the fair value of cash and cash equivalents is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and cash equivalents in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Agency's financial statements relate to:

The disclosure of fair value of cash and cash equivalents in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 3 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

Significant Unusual Transactions

For the purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on page 5 discloses all material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 2, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

The report is intended solely for the information and use of the Executive Committee and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Conclusion

We appreciate the cooperation extended to us by Josh Byerrum, Treasurer, and the rest of the Agency staff in the performance of our audit testwork. We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

This information is intended solely for the information and use of the Executive Committee and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

C.J. Brown & Company CPAs
Cypress, California
January 2, 2024

Spadra Basin Groundwater Sustainability Agency
Schedule of Adjusting Journal Entries
June 30, 2023

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
AJE - To reclassify O/S checks written in July dated June 30 from Cash to Accounts Payable at June 30, 2023.			
1000	Checking	$ 8,727.84	
2001	Accrued Expenses		8,727.84
Total		**8,727.84**	**8,727.84**
Adjusting Journal Entries JE # 2			
AJE - To correct Yellow Jacket invoice and accrue actual.			
1599	Accumulated Depreciation	$ 1,318.00	
7020	Capital Contribution - Agency	39,555.00	
8011	Groundwater Sustainability Plan	39,555.00	
1500	Asset		39,555.00
5599	Deprecation Expense		1,318.00
7001	Member Assessment-Pomona		19,777.50
7002	Member Assessment-WVWD		19,777.50
Total		**80,428.00**	**80,428.00**
	Total Adjusting Journal Entries	**89,155.84**	**89,155.84**
	Total All Journal Entries	$ **89,155.84**	**89,155.84**

Legend:

AJE	Audit Adjusting Journal Entry

SPADRA BASIN GROUNDWATER SUSTAINABILITY AGENCY
SPECIAL EXECUTIVE COMMITTEE MEETING
Monday, December 4, 2023 – 3:00 P.M.

CONFERENCE CALL
MR. NOLTE: 1305 W HOLT #105, POMONA, CA 91768
MR. TANG: WALNUT VALLEY WATER DISTRICT,
271 S. BREA CANYON ROAD, WALNUT, CA 91789

MINUTES

PRESENT:
John Nolte, President
Jerry Tang, Vice President
Theresa Lee, Alternate
Chris Diggs, Alternate

STAFF PRESENT:
Sherry Shaw, Administrative Officer
Jim Ciampa, Legal Counsel
Lucie Cazares, Executive Secretary

ABSENT:
Victor Preciado, Alternate

OTHERS IN ATTENDANCE:
Veva Weamer
Rob Garcia
Carlos Goytia
Damian Martinez
Jared Macias
Josh Byerrum
Nferreira (as displayed online)
Bob Bowcock
Meg McWade

President Nolte called the meeting to order at 3:00 p.m.

ITEM 3: PUBLIC COMMENT
No comments were offered. (Item 3)

ITEM 4: CONSIDER APPROVAL OF MINUTES FOR EXECUTIVE COMMITTEE MEETING HELD NOVEMBER 6, 2023

- The Executive Committee was asked to approve the minutes for the Executive Committee meeting held on November 6, 2023.

Upon consideration thereof, it was moved by Mr. Tang, seconded by Mr. Nolte and unanimously carried (2-0), by the roll call vote noted below to approve the minutes of the Executive Committee meeting held November 6, 2023. (Item 4)

> ***Ayes: Nolte and Tang***
> ***Noes: None***
> ***Abstain: None***

ITEM 5: CONSIDER APPROVAL OF PROPOSAL FOR MONITORING AND REPORTING SERVICES – WEST YOST

- Ms. Weamer reviewed the three (3) tasks in the Scope of Services that West Yost will provide in their proposal. (Item 5)
- Executive Committee was asked to approve the proposal for monitoring and reporting services provided by West Yost. (Item 5)

Upon consideration thereof, it was moved by Mr. Tang, seconded by Mr. Nolte and unanimously carried (2-0), by the roll call vote noted below to approve the proposed Monitoring and Reporting services provided by West Yost in the amount not to exceed $109,571. (Item 5)

> ***Ayes: Nolte and Tang***
> ***Noes: None***
> ***Abstain: None***

ITEM 6: FUTURE DISCUSSION ITEMS

- No discussion items were provided. (Item 6)

ITEM 7: OTHER

- No comments were offered. (Item 7)

ITEM 8: ADJOURNMENT – 3:22 P.M.

With no further discussion, the meeting was adjourned to the next Executive Committee meeting to be held Tuesday, January 2, 2024, at 3:30p.m. (Item 8)