

SALTON SEA AUTHORITY
BASIC FINANCIAL STATEMENTS

Year ended June 30, 2024

SALTON SEA AUTHORITY
BASIC FINANCIAL STATEMENTS

Year ended June 30, 2024

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Notes to the Basic Financial Statements	15
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	23
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Prop 68 DWR Grant Fund	24
Notes to Required Supplementary Information	25

Independent Auditor's Report

Board of Directors
Salton Sea Authority
Indio, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of Salton Sea Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Salton Sea Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of Salton Sea Authority as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salton Sea Authority 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 opinions.

Responsibilities of Management for the Financial Statements

Salton Sea Authority's 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 Salton Sea Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Salton Sea Authority'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 Salton Sea Authority'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *budget to actual schedules* 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Salton Sea Authority's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024 on our consideration of Salton Sea Authority'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 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 Salton Sea Authority's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
October 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Salton Sea Authority (the Authority) provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Also included in the accompanying report are the *fund financial statements*. The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts — *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The *basic financial statements* include two kinds of statements that present different views of the Authority:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Authority's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Authority government, reporting the Authority's operations in *more detail* than the government-wide statements.

The financial statements also include *Notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Reporting the Authority as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the Authority as a whole. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. The Statement of Net Position includes *all* assets and liabilities using the *modified-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 cash is received or paid.

Salton Sea Authority
Management's Discussion and Analysis (Continued)

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health, or *financial position*. Over time, *increases and decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating.

Reporting the Authority's Major Funds

The fund financial statements provide detailed *information* about the Authority's most significant funds - not the Authority as a whole. Some funds are required to be established by grant or legal requirements. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain resources.

Governmental funds — The Authority's basic services are reported in governmental funds, which focus on how money flows into *and* out of those *funds and* the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets:			
Current assets	\$ 559,208	598,266	(39,058)
Capital assets, net	<u>25,582</u>	<u>-</u>	<u>25,582</u>
Total assets	<u>584,790</u>	<u>598,266</u>	<u>(13,476)</u>
Liabilities:			
Current liabilities	523,305	682,194	(158,889)
Long-term liabilities	<u>80,345</u>	<u>46,620</u>	<u>33,725</u>
Total liabilities	<u>603,650</u>	<u>728,814</u>	<u>(125,164)</u>
Net position:			
Net investment in capital assets	(154)	-	(154)
Unrestricted	<u>(18,706)</u>	<u>(130,548)</u>	<u>111,842</u>
Total net position	<u>\$ (18,860)</u>	<u>(130,548)</u>	<u>111,688</u>

The decrease in current assets is due to a decrease in grant receivables, offset by an increase in cash. The decrease in current liabilities is due to a decrease in grant payable due to a decrease in activity in the current year compared to prior year.

Salton Sea Authority
Management's Discussion and Analysis (Continued)

Statement of Activities

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues			
Member contributions	\$ 810,000	810,000	-
Intergovernmental	331,667	570,790	(239,123)
Other revenue	<u>437</u>	<u>502</u>	<u>(65)</u>
Total revenues	<u>1,142,104</u>	<u>1,381,292</u>	<u>(239,188)</u>
Expenditures			
Administration	712,313	897,879	(185,566)
Technical and project support	<u>318,103</u>	<u>442,544</u>	<u>(124,441)</u>
Total expenditures	<u>1,030,416</u>	<u>1,340,423</u>	<u>(310,007)</u>
Changes in net position	111,688	40,869	70,819
Beginning net position	<u>(130,548)</u>	<u>(171,417)</u>	<u>40,869</u>
Ending net position	<u>\$ (18,860)</u>	<u>(130,548)</u>	<u>111,688</u>

The decrease in intergovernmental revenue and technical and project support is due to decreased expenditures related to the Prop 68 Grant as the project activity has decreased.

MAJOR FUNDS

General Fund

This fund accounts for all administrative activity and expenses related to salaries, public outreach, community relations, services and supplies to maintain and support all Salton Sea Authority restoration projects. The General Fund costs decreased in administration due to the elimination of a short-term position and decreases in finance, grant and other consulting expenses.

North Lake Demonstration Project for Proposition 68 from the Department of Water Resources (Prop 68 DWR Grant Fund)

The project will construct an approximately 156-acre lake at the northern end of the Salton Sea. The project provides for habitat enhancement and expansion located at the North end of the Salton Sea. The Project will have shallow habitat running along over one mile of shoreline and approximately 30 acres will be developed as deep-water habitat for fish.

GENERAL FUND BUDGET

Actual revenues were under budget by \$220,399 primarily due to budgeted revenue from other sponsorships not being received and a decrease in reimbursements from grants for administrative services. Actual expenses were under budget by \$177,729 due to the elimination of a contract grant position during the prior year and decreased grant expenditures.

Salton Sea Authority
Management's Discussion and Analysis (Continued)

CAPITAL ASSETS

**Capital Assets
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Right of use asset	\$ 27,908	-	27,908
Accumulated amortization	<u>(2,326)</u>	<u>-</u>	<u>(2,326)</u>
Capital assets, net	<u>\$ 25,582</u>	<u>-</u>	<u>25,582</u>

At the end of the fiscal year, the Authority's investment in capital assets amounted to \$25,582, net of accumulated amortization. This is a result of the new office lease entered into in May 2024. See note 3 for additional details.

LONG-TERM LIABILITIES

**Long-term Liabilities
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Compensated absences	\$ 75,696	51,800	23,896
Lease payable	<u>25,736</u>	<u>-</u>	<u>25,736</u>
Total long-term liabilities	<u>\$ 101,432</u>	<u>51,800</u>	<u>49,632</u>

Long-term liabilities are not due and payable in the current period. Additional information may be found in note 4 of the notes to financial statements.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, members, and resource providers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Office located at 82500 Highway 111, Suite 4, Indio, CA 92201.

BASIC FINANCIAL STATEMENTS

SALTON SEA AUTHORITY
STATEMENT OF NET POSITION

June 30, 2024
(with comparative information for prior year)

	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 288,231	125,042
Accounts Receivable	34	11,331
Grants receivable	256,132	457,878
Prepaid items	14,811	4,015
Total current assets	559,208	598,266
Noncurrent assets:		
Capital assets, net	25,582	-
TOTAL ASSETS	584,790	598,266
LIABILITIES:		
Current liabilities:		
Accounts payable	36,231	20,530
Grants payable	239,640	439,151
Unearned revenue	210,000	200,000
Accrued expenses	16,347	17,333
Compensated absences, current	7,569	5,180
Lease liability, current	13,518	-
Total current liabilities	523,305	682,194
Noncurrent liabilities:		
Compensated absences, due in more than one year	68,127	46,620
Lease liability, due in more than one year	12,218	-
Total noncurrent liabilities	80,345	46,620
TOTAL LIABILITIES	603,650	728,814
NET POSITION (DEFICIT):		
Net investment in capital assets	(154)	-
Unrestricted	(18,706)	(130,548)
TOTAL NET POSITION	\$ (18,860)	(130,548)

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY
STATEMENT OF ACTIVITIES

Year ended June 30, 2024
(with comparative information for prior year)

Function	Expenses	Program Revenues	Net Revenue (Expense)	
		Operating Grants & Contributions	2024	2023
Administration	\$ 712,313	13,564	(698,749)	(897,879)
Technical and project support	<u>318,103</u>	<u>318,103</u>	-	<u>128,246</u>
Total	<u>\$ 1,030,416</u>	<u>331,667</u>	<u>(698,749)</u>	<u>(769,633)</u>
General revenues:				
Member contributions			810,000	810,000
Other revenue			<u>437</u>	<u>502</u>
Total general revenues			<u>810,437</u>	<u>810,502</u>
Change in net position			111,688	40,869
Net position (deficit), beginning			<u>(130,548)</u>	<u>(171,417)</u>
Net position (deficit), ending			<u>\$ (18,860)</u>	<u>(130,548)</u>

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024
(with comparative information for prior year)

	Special Revenue			Totals	
	General	Prop 68	Nonmajor		
	Fund	DWR Grant Fund	Grants Fund	2024	2023
ASSETS:					
Cash and cash equivalents	\$ 288,231	-	-	288,231	125,042
Accounts receivable	34	-	-	34	11,331
Grants receivable	-	236,655	19,477	256,132	457,878
Due from other funds	16,492	-	-	16,492	18,456
Prepaid items	14,811	-	-	14,811	4,015
TOTAL ASSETS	319,568	236,655	19,477	575,700	616,722
LIABILITIES:					
Accounts payable	36,231	-	-	36,231	20,530
Grants payable	-	220,919	18,721	239,640	439,151
Unearned revenue	210,000	-	-	210,000	200,000
Accrued expenses	16,347	-	-	16,347	17,333
Due to other funds	-	15,736	756	16,492	18,456
TOTAL LIABILITIES	262,578	236,655	19,477	518,710	695,470
FUND BALANCES:					
Nonspendable	14,811	-	-	14,811	4,015
Unassigned	42,179	-	-	42,179	(82,763)
TOTAL FUND BALANCES (DEFICIT)	56,990	-	-	56,990	(78,748)
TOTAL LIABILITIES AND FUND BALANCES	\$ 319,568	236,655	19,477	575,700	616,722

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2024

Fund balances of governmental funds \$ 56,990

Amounts reported for governmental activities in the statement of net position are different because:

Capital related transactions

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the Authority as a whole.

Capital assets	27,908
Accumulated amortization	(2,326)

Long-term liability transactions

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Compensated absences	(75,696)
Lease liability	<u>(25,736)</u>

Net position of governmental activities \$ (18,860)

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2024
(with comparative information for prior year)

	Special Revenue			Totals	
	General Fund	Prop 68 DWR Grant Fund	Nonmajor Grants Fund	2024	2023
REVENUES:					
Member contributions	\$ 810,000	-	-	810,000	810,000
Intergovernmental	13,564	264,480	67,187	345,231	570,790
Other revenue	437	-	-	437	502
	824,001	264,480	67,187	1,155,668	1,381,292
EXPENDITURES:					
Administration	685,863	10,713	2,851	699,427	885,395
Technical and project support	-	253,767	64,336	318,103	442,544
Capital outlay	27,908	-	-	27,908	-
Debt Service:					
Principal	2,172	-	-	2,172	-
Interest	228	-	-	228	-
	716,171	264,480	67,187	1,047,838	1,327,939
Excess (deficiency) of Revenues over (under) Expenditures	107,830	-	-	107,830	53,353
OTHER FINANCING SOURCES (USES):					
Proceeds from lease	27,908	-	-	27,908	-
Transfers in	-	-	-	-	20,991
Transfers out	-	-	-	-	(20,991)
	27,908	-	-	27,908	-
Net changes in fund balance	135,738	-	-	135,738	53,353
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	(78,748)	-	-	(78,748)	(132,101)
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 56,990	-	-	56,990	(78,748)

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2024

Net changes in fund balances - total governmental funds	\$	135,738
---	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

Capital Related Transactions

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which capital outlays exceeded amortization in the current period.

Amortization expense		(2,326)
Capital outlay		27,908

Long-term Liability Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the Authority as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Payments on lease		2,172
Issuance of lease		(27,908)
Net change in compensated absences		<u>(23,896)</u>

Change in net position of governmental activities	\$	<u>111,688</u>
---	----	----------------

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(1) Summary of Significant Accounting Policies

The basic financial statements of the Salton Sea Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

(a) Reporting Entity

The Authority was created on June 2, 1993, as a result of a joint powers agreement entered into by the County of Riverside, County of Imperial, Coachella Valley Water District and the Imperial Irrigation District. The joint powers agreement was amended in 2002 to add member agency Torres Martinez Desert Cahuilla Indians. Each of the parties to the joint powers' agreement appoints two representatives to the Board of Directors. The Authority is a single function entity whose purpose is to direct and coordinate efforts to improve the quality of the water in the Salton Sea, and to enhance its recreational and economic development potential.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the Authority are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements.

Government-wide Financial Statements – Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resource's measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Fund Financial Statements – The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity.

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about the major funds individually and nonmajor funds in the aggregate.

Governmental funds – In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority's availability period is 180 days.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided).

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered "available spendable resources," since they do not represent net current assets.

Revenues, expenditures, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within the "availability period" established by that local government. The Authority's availability period is 180 days.

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, and then from unrestricted resources.

(c) Fund Classifications

The Authority reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Prop 68 DWR Grant Fund – This fund accounts for the Department of Water Resources Proposition 68 grant activity related to providing habitat enhancement and expansion at the North end of the Salton Sea.

Additionally, the Authority reports the following nonmajor governmental fund:

Nonmajor Grant Fund – The fund accounts for the United States Department of the Interior Bureau of Reclamation grant activity related to the Desert Shores Revitalization project to restore habitat and improve air and water quality at the Salton Sea.

(d) Cash

The Authority pools cash of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash*.

(e) Capital Assets

The capitalization threshold is \$5,000 and assets are depreciated based on the straight-line method. The Authority has a Right of Use lease asset that qualifies for reporting, and it is amortized over the life of the lease.

(f) Interfund Transfers

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as revenues in the fund that is reimbursed.

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(1) Summary of Significant Accounting Policies (Continued)

(g) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not report any deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government does not report any deferred inflows of resources.

(h) Fund Balance

Fund balances are reported in the fund statements in the following classifications:

Non-spendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. The Board of Directors imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts.

If the Board action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resulting fund balance is considered to be committed, not restricted. The Authority considers a resolution to constitute a formal action of the Board of Directors for the purposes of establishing committed fund balance.

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(1) **Summary of Significant Accounting Policies (Continued)**

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by the Board of Directors or by persons to whom the Board has delegated the authority to assign amounts for specific purposes.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the Authority's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Board of Directors.

(i) **Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(j) **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 the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(k) **Comparative Data**

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(2) Cash and Cash Equivalents

Cash as of June 30, 2024 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	\$288,231
Total cash	\$288,231

Cash and cash equivalents as of June 30, 2024 consisted of the following:

Deposits with financial institutions	\$254,049
County of Riverside	34,182
Total cash	\$288,231

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. The California Government Code and the Authority’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 public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(3) Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets:				
Right of use asset	\$ -	27,908	-	27,908
Less accumulated amortization for:				
Right of use asset	-	(2,326)	-	(2,326)
Total capital assets, net	\$ -	25,582	-	25,582

SALTON SEA AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2024

(4) Long-term Liabilities

Long-term liability activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2024	Due in one Year
Compensated absences	\$ 51,800	29,113	(5,217)	75,696	7,569
Lease payable-office	-	<u>27,908</u>	<u>(2,172)</u>	<u>25,736</u>	<u>13,518</u>
Total long-term liabilities	<u>\$ 51,800</u>	<u>57,021</u>	<u>(7,389)</u>	<u>101,432</u>	<u>21,087</u>

The Authority entered into a lease for office space on March 25, 2024. The current lease term began April 1, 2024 and expires April 30, 2026. The Authority is required to make monthly fixed payments ranging from \$1,200 to \$1,250 with a discount rate of 5%. As of June 30, 2024, the lease payable is \$25,736.

Future lease payable requirements are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$13,518	982	14,500
2026	<u>12,218</u>	<u>282</u>	<u>12,500</u>
	<u>\$25,736</u>	<u>1,264</u>	<u>27,000</u>

(5) Commitments and Contingencies

The Authority has been a recipient of State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the Authority had not complied with the rules and regulations governing the grants, the Authority's rights to grant money received may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

(6) Employee Benefits

The Authority's staff includes two employees of the County of Riverside. While these employees receive pension and post-retirement benefits from their respective government agencies, management believes the Authority is not responsible for funding those benefits should the individuals leave the Authority. As such, no pension or other post-employment benefit liabilities have been included in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SALTON SEA AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND**

Year ended June 30, 2024

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
REVENUES:				
Member contributions	\$ 800,000	800,000	810,000	10,000
Intergovernmental	219,400	219,400	13,564	(205,836)
Other sponsorship	25,000	25,000	-	(25,000)
Other revenue	-	-	437	437
TOTAL REVENUES	1,044,400	1,044,400	824,001	(220,399)
EXPENDITURES:				
Administration	893,900	893,900	685,863	208,037
Capital outlay	-	-	27,908	(27,908)
Debt service:				
Principal	-	-	2,172	(2,172)
Interest	-	-	228	(228)
TOTAL EXPENDITURES	893,900	893,900	716,171	177,729
Excess (deficiency) of Revenues over (under) Expenditures	150,500	150,500	107,830	(42,670)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	-	-	27,908	27,908
TOTAL OTHER FINANCING SOURCES (USES)	-	-	27,908	27,908
Net changes in fund balance	150,500	150,500	135,738	(14,762)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(78,748)	(78,748)	(78,748)	-
FUND BALANCE AT END OF YEAR	\$ 71,752	71,752	56,990	(14,762)

See accompanying notes to required supplementary information.

SALTON SEA AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PROP 68 DWR GRANT FUNDS**

Year ended June 30, 2024

	Budgeted Amounts			Variance- Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	\$ 2,000,000	2,000,000	264,480	(1,735,520)
TOTAL REVENUES	2,000,000	2,000,000	264,480	(1,735,520)
EXPENDITURES:				
Administration	79,700	79,700	10,713	68,987
Technical and project support	1,920,300	1,920,300	253,767	1,666,533
TOTAL EXPENDITURES	2,000,000	2,000,000	264,480	1,735,520
Excess (deficiency) of Revenues over (under) Expenditures	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	-	-	-

See accompanying notes to required supplementary information.

SALTON SEA AUTHORITY

Notes to Required Supplementary Information

Year ended June 30, 2024

(1) **Budgets and Budgetary Data**

The Authority is only required to adopt an annual budget for the General Fund and Prop 68 DWR Grant Fund. These budgets are presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP). For the other funds of the Authority, project length budgets, rather than annual budgets, are employed.

Once the budget is approved, it can be amended by approval of a majority of the Board of Directors.

The appropriated budget is prepared by fund and function. The Authority's Executive Director/General Manager may make transfers of appropriations between functions. Transfers of appropriations between funds requires the approval of a majority of the Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations is at the fund level.

A comparison of budget and actual has been presented for the General Fund and Prop 68 DWR Grant Fund used by the Authority. With respect to revenues, a favorable variance indicates actual revenues received exceeded the legally adopted budget and an unfavorable variance indicates that actual revenues received were less than the amount budgeted. With respect to expenditures, a favorable variance indicates actual costs were less than the amount budgeted, and an unfavorable variance indicates actual expenditures exceeded the legally adopted budget.