

SALTON SEA AUTHORITY
BASIC FINANCIAL STATEMENTS

Year ended June 30, 2025

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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, 2025, 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, 2025, 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.

Emphasis of Matter

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101: *Compensated Absence*. Our opinion is not modified with respect to this matter.

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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 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 January 9, 2026, 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.

Davis Farr LLP

Irvine, California
January 9, 2026

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, 2025. 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 on 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>2025</u>	<u>2024</u>	<u>Change</u>
Assets:			
Current assets	\$ 822,558	559,208	263,350
Capital assets, net	<u>12,064</u>	<u>25,582</u>	<u>(13,518)</u>
Total assets	<u>834,622</u>	<u>584,790</u>	<u>249,832</u>
Liabilities:			
Current liabilities	688,189	523,305	164,884
Long-term liabilities	<u>104,494</u>	<u>80,345</u>	<u>24,149</u>
Total liabilities	<u>792,683</u>	<u>603,650</u>	<u>189,033</u>
Net position:			
Net investment in capital assets	(950)	(154)	(796)
Unrestricted	<u>42,889</u>	<u>(18,706)</u>	<u>61,595</u>
Total net position	<u>\$ 41,939</u>	<u>(18,860)</u>	<u>60,799</u>

The increase in current assets is due to an increase in grant receivables as a result of grant activity during the year. The increase in current liabilities is due to the increase in payables due to the increased grant activity in the current year compared to prior year.

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

Statement of Activities

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues			
Member contributions	\$ 810,000	810,000	-
Intergovernmental	860,060	331,667	528,393
Other revenue	<u>322</u>	<u>437</u>	<u>(115)</u>
Total revenues	<u>1,670,382</u>	<u>1,142,104</u>	<u>528,278</u>
Expenditures			
Administration	774,451	712,313	62,138
Technical and project support	<u>835,132</u>	<u>318,103</u>	<u>517,029</u>
Total expenditures	<u>1,609,583</u>	<u>1,030,416</u>	<u>579,167</u>
Changes in net position	60,799	111,688	(50,889)
Beginning net position	<u>(18,860)</u>	<u>(130,548)</u>	<u>111,688</u>
Ending net position	<u>\$ 41,939</u>	<u>(18,860)</u>	<u>60,799</u>

The increase in intergovernmental revenue and technical and project support is due to increased grant activity during the year.

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

Favorable budget variances in the general fund occurred as a result of the a combination of termination of a vendor agreement early in the fiscal year, lower legal expenses, and less travel occurred than budgeted.

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

CAPITAL ASSETS

**Capital Assets
June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Right of use asset	\$ 28,344	27,908	436
Accumulated amortization	<u>(16,280)</u>	<u>(2,326)</u>	<u>(13,954)</u>
Capital assets, net	<u>\$ 12,064</u>	<u>25,582</u>	<u>(13,518)</u>

At the end of the fiscal year, the Authority's investment in capital assets amounted to \$12,064, net of accumulated amortization. See note 3 for additional details.

LONG-TERM LIABILITIES

**Long-term Liabilities
June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Compensated absences	\$ 112,063	75,696	36,367
Lease payable	<u>13,014</u>	<u>25,736</u>	<u>(12,722)</u>
Total long-term liabilities	<u>\$ 125,077</u>	<u>101,432</u>	<u>23,645</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, 2025
(with comparative information for prior year)

	<u>2025</u>	<u>2024</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 166,750	288,231
Accounts Receivable	475	34
Grants receivable	639,481	256,132
Prepaid items	<u>15,852</u>	<u>14,811</u>
Total current assets	<u>822,558</u>	<u>559,208</u>
Noncurrent assets:		
Capital assets, net	<u>12,064</u>	<u>25,582</u>
TOTAL ASSETS	<u>834,622</u>	<u>584,790</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	273,827	36,231
Grants payable	382,670	239,640
Unearned revenue	-	210,000
Accrued expenses	11,109	16,347
Compensated absences, current	7,569	7,569
Lease liability, current	<u>13,014</u>	<u>13,518</u>
Total current liabilities	<u>688,189</u>	<u>523,305</u>
Noncurrent liabilities:		
Compensated absences, due in more than one year	104,494	68,127
Lease liability, due in more than one year	<u>-</u>	<u>12,218</u>
Total noncurrent liabilities	<u>104,494</u>	<u>80,345</u>
TOTAL LIABILITIES	<u>792,683</u>	<u>603,650</u>
NET POSITION (DEFICIT):		
Net investment in capital assets	(950)	(154)
Unrestricted	<u>42,889</u>	<u>(18,706)</u>
TOTAL NET POSITION	<u>\$ 41,939</u>	<u>(18,860)</u>

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY
STATEMENT OF ACTIVITIES

Year ended June 30, 2025
(with comparative information for prior year)

Function	Expenses	Program Revenues		Net Revenue (Expense)	
		Operating Grants & Contributions		2025	2024
Administration	\$ 773,881	13,564		(760,317)	(698,521)
Technical and project support	835,132	846,496		11,364	-
Interest	570	-		(570)	(228)
Total	<u>\$ 1,609,583</u>	<u>860,060</u>		<u>(749,523)</u>	<u>(698,749)</u>
General revenues:					
Member contributions				810,000	810,000
Other revenue				<u>322</u>	<u>437</u>
Total general revenues				<u>810,322</u>	<u>810,437</u>
Change in net position				60,799	111,688
Net position (deficit), beginning				<u>(18,860)</u>	<u>(130,548)</u>
Net position (deficit), ending				<u>\$ 41,939</u>	<u>\$ (18,860)</u>

See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025
(with comparative information for prior year)

		Special Revenue			
		Prop 68		Totals	
	General	DWR Grant	Grants	2025	2024
	Fund	Fund	Fund		
ASSETS:					
Cash and cash equivalents	\$ 166,750	-	-	166,750	288,231
Accounts receivable	-	475	-	475	34
Grants receivable	-	398,393	241,088	639,481	256,132
Due from other funds	17,523	-	-	17,523	16,492
Prepaid items	15,852	-	-	15,852	14,811
TOTAL ASSETS	\$ 200,125	398,868	241,088	840,081	575,700
LIABILITIES:					
Accounts payable	33,559	-	240,268	273,827	36,231
Grants payable	-	382,670	-	382,670	239,640
Unearned revenue	-	-	-	-	210,000
Accrued expenses	11,109	-	-	11,109	16,347
Due to other funds	-	16,198	1,325	17,523	16,492
TOTAL LIABILITIES	44,668	398,868	241,593	685,129	518,710
FUND BALANCES:					
Nonspendable	15,852	-	-	15,852	14,811
Unassigned	139,605	-	(505)	139,100	42,179
TOTAL FUND BALANCES (DEFICIT)	155,457	-	(505)	154,952	56,990
TOTAL LIABILITIES AND FUND BALANCES	\$ 200,125	398,868	241,088	840,081	575,700

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, 2025

Fund balances of governmental funds	\$ 154,952
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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	28,344
Accumulated amortization	(16,280)

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	(112,063)
Lease liability	<u>(13,014)</u>

Net position of governmental activities	<u>\$ 41,939</u>
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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, 2025
(with comparative information for prior year)

		Special Revenue		Totals	
	General Fund	Prop 68 DWR Grant Fund	Grants Fund	2025	2024
REVENUES:					
Member contributions	\$ 810,000	-	-	810,000	810,000
Intergovernmental	12,970	546,759	300,331	860,060	345,231
Other revenue	180	-	-	180	437
TOTAL REVENUES	823,150	546,759	300,331	1,670,240	1,155,668
EXPENDITURES:					
Administration	708,772	9,654	2,809	721,235	699,427
Technical and project support	-	537,105	298,027	835,132	318,103
Capital outlay	-	-	-	-	27,908
Debt Service:					
Principal	15,483	-	-	15,483	2,172
Interest	570	-	-	570	228
TOTAL EXPENDITURES	724,825	546,759	300,836	1,572,420	1,047,838
Excess (deficiency) of Revenues over (under) Expenditures	98,325	-	(505)	97,820	107,830
NON-OPERATING INCOME:					
Investment income	142	-	-	142	-
TOTAL NON-OPERATING INCOME	142	-	-	142	27,908
Net changes in fund balance	98,467	-	(505)	97,962	135,738
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	56,990	-	-	56,990	(78,748)
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 155,457	-	(505)	154,952	56,990

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, 2025

Net changes in fund balances - total governmental funds	\$	97,962
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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	(16,280)
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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	15,483
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Net change in compensated absences	<u>(36,366)</u>
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Change in net position of governmental activities	\$ <u>60,799</u>
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See accompanying notes to the basic financial statements.

SALTON SEA AUTHORITY
Notes to the Basic Financial Statements
Year ended June 30, 2025

(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, 2025

(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, 2025

(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, 2025

(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, 2025

(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, 2025

(2) Cash and Cash Equivalents

Cash as of June 30, 2025 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	<u>\$166,750</u>
Total cash	<u>\$166,750</u>

Cash and cash equivalents as of June 30, 2025 consisted of the following:

Deposits with financial institutions	\$105,022
County of Riverside	<u>61,728</u>
Total cash	<u>\$166,750</u>

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, 2025 was as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2025
Capital assets:				
Right of use asset	\$ 27,908	436	-	28,344
Less accumulated amortization for:				
Right of use asset	<u>(2,326)</u>	<u>(13,954)</u>	<u>-</u>	<u>(16,280)</u>
Total capital assets, net	<u>\$ 25,582</u>	<u>(13,518)</u>	<u>-</u>	<u>12,064</u>

SALTON SEA AUTHORITY
Notes to the Basic Financial Statements
Year ended June 30, 2025

(4) Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due in one Year
Compensated absences	\$ 75,696	41,327	(4,960)	112,063	7,569
Lease payable-office	<u>25,736</u>	<u>-</u>	<u>(12,722)</u>	<u>13,014</u>	<u>13,014</u>
Total long-term liabilities	<u>\$ 101,432</u>	<u>41,327</u>	<u>(17,682)</u>	<u>125,077</u>	<u>20,583</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, 2025, the lease payable is \$13,014.

Future lease payable requirements are as follows:

Year ended June 30, 2026	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>12,218</u>	<u>282</u>	<u>12,500</u>
	<u>\$12,218</u>	<u>282</u>	<u>12,500</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, 2025

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Member contributions	800,000	800,000	810,000	10,000
Intergovernmental	40,000	40,000	12,970	(27,030)
Other sponsorship	10,000	10,000	-	(10,000)
Other revenue	-	-	180	180
TOTAL REVENUES	<u>850,000</u>	<u>850,000</u>	<u>823,150</u>	<u>(26,850)</u>
EXPENDITURES:				
Administration	800,000	800,000	708,772	91,228
Debt service:				
Principal	-	-	15,483	(15,483)
Interest	-	-	570	(570)
TOTAL EXPENDITURES	<u>800,000</u>	<u>800,000</u>	<u>724,825</u>	<u>75,175</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>50,000</u>	<u>50,000</u>	<u>98,325</u>	<u>48,325</u>
NON-OPERATING INCOME:				
Investment income	-	-	142	142
TOTAL NON-OPERATING INCOME	<u>-</u>	<u>-</u>	<u>142</u>	<u>142</u>
Net changes in fund balance	50,000	50,000	98,467	48,467
FUND BALANCE AT BEGINNING OF YEAR	<u>56,990</u>	<u>56,990</u>	<u>56,990</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 106,990</u>	<u>106,990</u>	<u>155,457</u>	<u>48,467</u>

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 FUND**

Year ended June 30, 2025

	<u>Budgeted Amounts</u>			Variance- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Intergovernmental	\$ 2,000,000	2,000,000	546,759	(1,453,241)
TOTAL REVENUES	<u>2,000,000</u>	<u>2,000,000</u>	<u>546,759</u>	<u>(1,453,241)</u>
EXPENDITURES:				
Administration	24,000	24,000	9,654	14,346
Technical and project support	<u>1,976,000</u>	<u>1,976,000</u>	<u>537,105</u>	<u>1,438,895</u>
TOTAL EXPENDITURES	<u>2,000,000</u>	<u>2,000,000</u>	<u>546,759</u>	<u>1,453,241</u>
Excess (deficiency) of Revenues over (under) Expenditures	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to required supplementary information.

SALTON SEA AUTHORITY

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

Year ended June 30, 2025

	<u>Budgeted Amounts</u>			Variance- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Intergovernmental	\$ 750,000	750,000	300,331	(449,669)
TOTAL REVENUES	<u>750,000</u>	<u>750,000</u>	<u>300,331</u>	<u>(449,669)</u>
EXPENDITURES:				
Administration	6,000	6,000	2,809	3,191
Technical and project support	<u>744,000</u>	<u>744,000</u>	<u>298,027</u>	<u>445,973</u>
TOTAL EXPENDITURES	<u>750,000</u>	<u>750,000</u>	<u>300,836</u>	<u>449,164</u>
Excess (deficiency) of Revenues over (under) Expenditures	-	-	(505)	(505)
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>(505)</u>	<u>(505)</u>

See accompanying notes to required supplementary information.

SALTON SEA AUTHORITY

Notes to Required Supplementary Information

Year ended June 30, 2025

(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.