NOTICE AND AGENDA OF REGULAR MEETING

BOARD OF DIRECTORS OF THE SANTA YNEZ RIVER VALLEY GROUNDWATER BASIN
EASTERN MANAGEMENT AREA GROUNDWATER SUSTAINABILITY AGENCY

HELD AT
SANTA YNEZ COMMUNITY SERVICES DISTRICT, MEETING ROOM
1070 FARADAY STREET, SANTA YNEZ, CALIFORNIA
4:00 P.M., THURSDAY, JULY 23, 2026

Optional remote public participation is available via Telephone or TEAMS
To access the meeting via telephone, please dial: +1 469-998-7311, 209762335# or via the Web at: Join the meeting now

"Join a Meeting" - **Meeting ID 294 811 517 405 Meeting Passcode: 4nNRT3**
***** Please Note *****
The above teleconference option for public participation is being offered as a convenience only and may limit or otherwise prevent your access to and participation in the meeting due to disruption or unavailability of the teleconference line. If any such disruption or unavailability occurs for any reason the meeting will not be suspended, terminated, or continued. Therefore in-person attendance of the meeting is strongly encouraged.

AGENDA OF REGULAR MEETING

1. Call to Order and Roll Call
2. Public Comment (Any member of the public may address the Board relating to any non-agenda matter within the Board's jurisdiction. The time for public comment allotted for each individual shall not exceed three minutes. No action will be taken by the Board at this meeting on any public comment item.)
3. Consent Agenda
   a. Review and consider approval of meeting minutes for the May 28, 2026 EMA GSA Regular Board Meeting. (Packet Pages: 3-7)
   b. Review and consider approval of Financial Statements and Warrant List for May-June, 2026. (Packet Pages: 8-13)
4. Citizen Advisory Group (CAG) Meeting Report-Out
5. Action Items
   a. Review and consider approval of easement for monitoring well with Chamberlin Ranch. (Packet Pages: 14-25)
   b. Review and approve the EMA GSA FY 2026-27 budget incorporating Board revisions proposed at the May 28, 2026 EMA GSA Board Meeting. (Packet Page: 26)
6. Informational Items
   a. Receive presentation from Moss, Levy & Hartzheim and file the FY 2024-25 Independent Auditor's Report. (Packet Pages: 27-53)

   b. Verbal Report from Executive Director on the Potential for Consolidation/Streamlining of Annual Reports

   c. Prop 68 Grant and EMA GSA Initiatives Update

   d. Well Registration Update

7. Consider Date/Time and Need for Future Meetings of the EMA GSA.

   a. Well Registration Public Workshop Thursday, July 30, 2026 4:00-7:00 PM at SYCSD Meeting Room.

   b. Next EMA GSA CAG Meeting Thursday, August 20, 2026 at 3:00 PM.

   c. Next Basin-Wide Joint Special Meeting Friday, September 11, 2026, at 9:00 AM at Buellton City Council Chambers.

   d. Next EMA GSA Regular Board Meeting Thursday, September 24, 2026 at 4:00 PM at SYCSD Meeting Room.

8. Board of Directors Reports and Requests for Future Agenda Items

9. Adjournment

[This agenda was posted at least 72 hours prior to the regular meeting at 3669 Sagunto Street, Suite 101, Santa Ynez, California, and ema-SantaYnezWater.org in accordance with Government Code Section 54954. In compliance with the Americans with Disabilities Act, if you need special assistance to review agenda materials or participate in this meeting, please contact the Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency at (805) 457-5065. Advanced notification as far as practicable prior to the meeting will enable the GSA to make reasonable arrangements to ensure accessibility to this meeting.]

SANTA YNEZ RIVER VALLEY GROUNDWATER BASIN EASTERN MANAGEMENT AREA GROUNDWATER SUSTAINABILITY AGENCY (EMA GSA) BOARD OF DIRECTORS

Agenda Item 3a: Minutes of the Regular Meeting of May 28, 2026

The following is a summary of the actions taken at the SYRVGB EMA GSA Board of Directors Meeting. The official record for the meeting is the recording that can be found at: https://www.ema-santaynezwater.org/ema-gsa-jpa-board-meetings

Agenda Item	Discussion or Action
1. Call to Order and Roll Call	Chair Orona called the meeting to order at approximately 4:00 PM. Daniel Heimel, Executive Director, called roll to begin the meeting. Chair Orona, Alternate Director Heyden, Director Hartmann, Director Marymee, and Director Joos were present (00:00:01).
2. Public Comment	None (00:00:37).
3. Consent Agenda **a. Review and consider approval of meeting minutes for the February 26, 2026 EMA GSA Special Board Meeting.** **b. Review and consider approval of meeting minutes for the March 13, 2026 SYRVGB Joint Management Area Board Meeting.** **c. Review and consider approval of Financial Statements and Warrant List for February-April 2026.**	**Introduction of the Item** (00:01:28) **Board Discussion** (00:08:37) **Public Comment** None **Board Action on Consent Agenda** (00:01:56) The Board moved to approve items 3.a. and 3.b. and pulled Item 3.c. from the consent agenda for further discussion. **Motion**: Director Marymee **Second**: Director Joos **Ayes**: All **Nays**: None **Passes:** 5-0 The Board moved to approve item 3.c. (00:12:11) **Motion**: Director Marymee **Second:** Director Joos **Ayes**: All **Nays**: None **Passes:** 5-0
4. CAG Meeting Report-Out	**Introduction of the Item** (01:51:35) Agenda Item 4 was moved to follow agenda item 5.g. **Board Discussion** (01:56:11) **Public Comment** None
5. Action Items	
5.a. Review and consider approval of First Amendment to Professional	**Introduction of the Item** (00:15:00) **Board Discussion** (00:16:48)

Services Agreement with MLJ Environmental for Well Registration and Reporting Platform.	**Public Comment** None **Board Action** (00:22:50) The Board moved to approve the First Amendment to the Professional Services Agreement with MLJ Environmental. **Motion**: Director Hartmann **Second**: Director Joos **Ayes**: All **Nays**: None **Passes:** 5-0
5.b. Review and consider approval of First Amendment to Professional Services Agreement with GSI Water Solutions for Monitoring Network Improvement Hydrogeologic Support Services.	**Introduction of the Item** (00:23:43) **Board Discussion** (00:26:26) **Public Comment** None **Board Action** (00:30:43) The Board moved to approve the First Amendment to the Professional Services Agreement with GSI Water Solutions. **Motion**: Director Joos **Second**: Director Hartmann **Ayes**: All **Nays**: None **Passes:** 5-0
5.c. Review and consider approval of EMA GSA FY 2026-27 budget.	**Introduction of the Item** (00:31:09) **Board Discussion** (00:40:40) **Public Comment** None **Board Action** (00:53:45) The Board directed staff to move the hydrogeological engineering budget to the Water Year 2026-27 Annual Report line item, add a line item for the MLJ Environmental software costs for the well registration program, and add a reserve line item. The Board moved to approve the FY 2026-27 budget with these changes and to receive the revised final budget in July 2026 with the option to modify if needed. **Motion**: Director Hartmann **Second**: Director Heyden **Ayes**: All **Nays**: None **Passes:** 5-0
5.d. Review and consider approval of easement for monitoring well with Chamberlin Ranch.	**Introduction of the Item** (00:56:00) **Board Discussion** (01:02:26)

	Public Comment (01:10:15) Bill Buelow **Board Action** (01:09:52, 01:12:00) The Board moved to postpone the agreement to the July board meeting and approved reimbursing Chamberlin Ranch $3,000 for legal counsel. **Motion**: Director Hartmann **Second**: Director Marymee **Ayes**: 4 **Abstain**: 1 **Nays**: None **Passes:** 4-0
5.e. Review and consider approval of Resolution adopting the EMA GSA Bylaws.	**Introduction of the Item** (01:12:35) **Board Discussion** (01:14:05) **Public Comment** (01:38:40) Matt Young **Board Action** (01:40:53) The Board moved to approve the Bylaws with the inclusion of definitions for the SYRVGB EMA GSA member agencies at the beginning of the document and revision to Article 7 to address timing and context for directors to request agenda items. **Motion**: Director Marymee **Second**: Director Joos **Ayes**: All **Nays**: None **Passes:** 5-0
5.f. Review and consider approval of Resolution Authorizing Groundwater Extraction Fee Charges to be Collected on the Tax Roll.	**Introduction of the Item** (01:42:07) **Board Discussion** (01:45:28) **Public Comment** (01:45:49) Brian Macy **Board Action** (01:47:00) The Board moved to adopt the Resolution authorizing collection of the groundwater extraction fee on the County tax roll and approving the fee rate of $41.50 for FY 2026-27. **Motion**: Director Hartmann **Second**: Director Heyden **Ayes**: All **Nays**: None **Passes:** 5-0
5.g. Review and consider approval of reimbursement to Walking M. Ranches for groundwater extraction fee overpayment associated	**Introduction of the Item** (01:47:17) **Board Discussion** (01:49:19) **Public Comment** (01:50:25) Mike Burchardi

with misreported production.	**Board Action** (01:51:29) The Board moved to approve the reimbursement to Walking M. Ranches for the groundwater extraction fee overpayment. **Motion**: Director Hartmann **Second**: Director Joos **Ayes**: All **Nays**: None **Passes:** 5-0
5.h. Review and consider approval of Fourth Amendment to Professional Services Agreement with Confluence Engineering Solutions for Executive Director Support Services.	**Introduction of the Item** (01:56:44) **Board Discussion** (02:01:56) **Public Comment** (02:15:25) Matt Young Gay Infanti Brian Macy **Board Action** (02:20:58) The Board directed staff to provide monthly reporting of costs incurred to date relative to the projected burn rate in the future if a cost is heading toward an exceedance, in the form of a two-month report to the Board at its meetings, and to publicize financial reports on the website monthly. The Board moved to approve the Fourth Amendment to the Professional Services Agreement with Confluence Engineering Solutions. **Motion**: Director Hartmann **Second**: Director Heyden **Ayes**: All **Nays**: None **Passes:** 5-0
6. Informational Items	
6.a. Receive presentation from GSI on Spring 2026 water level data for the EMA.	**Introduction of the Item** (02:21:47) **Board Discussion** (02:23:22) **Public Comment** (02:26:17) Gay Infanti
6.b. Prop 68 Grant and EMA GSA Initiatives Update **i. Stantec work plan for DWR Facilitation Support Services**	**Introduction of the Item** (02:32:13) **Board Discussion** (02:35:30) The Board requested a digital copy of the well registration facilitation support services presentation (now included on the EMA GSA website in the May 28 meeting details) and directed staff to coordinate with the agency representatives to collaborate on the EMA GSA well registration program. **Public Comment** (02:39:24) Matt Young Tim Nicely

7. Consider Date/Time and Need for Future Regular and/or Special Meetings of the EMA GSA.	**<u>Introduction of the Item</u>** (03:15:43) **<u>Board Discussion</u>** (03:15:57) The Board directed staff to cancel the June 12, 2026 SYRVGB Joint Management Area Special Board Meeting. **<u>Public Comment</u>** None
8. Board of Directors Reports and Requests for Future Agenda Items	**<u>Introduction of the Item</u>** (03:16:58) **<u>Board Discussion</u>** (03:17:04) Director Joos relayed a CAG request to examine the interrelation of groundwater and surface water and potential duplication of work between the Santa Ynez River Water Conservation District and the EMA GSA. **<u>Public Comment</u>** (03:19:50) Brian Macy
9. Adjournment	Chair Orona adjourned the meeting at approximately 7:21 PM (03:20:59).

EMA GSA

Balance Sheet

As of Jun 30, 2026

	TOTAL
Assets	
Current Assets	
Bank Accounts	
1150 Five Star Bank Ckg	266,234.51
Total for Bank Accounts	**$266,234.51**
Accounts Receivable	
1200 Accounts Receivable	0.00
Total for Accounts Receivable	**$0.00**
Other Current Assets	
1400 Prepaid Expense	950.00
Total for Other Current Assets	**$950.00**
Total for Current Assets	**$267,184.51**
Total for Assets	**$267,184.51**
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 Accounts Payable	136,979.42
Total for Accounts Payable	**$136,979.42**
Other Current Liabilities	
2300 Deposits - Well Verification	0.00
2501 Loan from SYRWCD	112,438.75
2502 Loan from County of SB	112,438.75
2503 Loan from City of Solvang	112,438.75
2504 Loan from ID No. 1	112,438.75
Total for Other Current Liabilities	**$449,755.00**
Total for Current Liabilities	**$586,734.42**
Total for Liabilities	**$586,734.42**
Equity	
3000 Ret Earnings	2,425.67
32000 Unrestricted Net Assets	-252,359.51
Net Income	-69,616.07
Total for Equity	**-$319,549.91**
Total for Liabilities and Equity	**$267,184.51**

EMA GSA

Profit and Loss

July 1, 2025-June 30, 2026

	TOTAL
Income	
4300 Groundwater Extraction Fee	430,646.14
4500 Grant Revenue	85,127.74
4600 Interest Income	151.62
Total for Income	**$515,925.50**
Gross Profit	**$515,925.50**
Expenses	
5200 GSA Management/Admin	118,751.14
5310 Audit	15,660.00
5320 Office Expense (incl postage)	1.25
5330 Outside Staff Support	1,418.75
5350 Public Relations	3,251.49
5360 Insurance	4,892.55
5800 Legal Services	45,873.54
6400 Annual Report	51,863.05
6501 GSP - Well Measure & Report Program	41,509.08
6502 GSP - Rate Study	20,460.00
6503 GSP - Update	213,488.22
6504 GSP - Monitoring Network (incl.GDEs)	68,372.50
Total for Expenses	**$585,541.57**
Net Operating Income	**-$69,616.07**
Net Income	**-$69,616.07**

EMA GSA
General Ledger
June 1-30, 2026

	Distribution account	Transaction date	Transaction type	Num	Name	Description	Split	Amount	Balance
1150 Five Star Bank Ckg									
	Beginning Balance								266,906.97
	1150 Five Star Bank Ckg	06/26/2026	Expense	N43241	PIP Marketing Signs Print	Well Registration Mailer - Printing & Postage	6501 GSP - Well Measure & Report Program	-2,817.66	264,089.31
	1150 Five Star Bank Ckg	06/30/2026	Deposit		Santa Barbara County	Barbara Coaut Trace Sy River Valley Gsa	4300 Groundwater Extraction Fee	2,121.96	266,211.27
	1150 Five Star Bank Ckg	06/30/2026	Deposit		Five Star Bank	Interest Deposit	4600 Interest Income	23.24	266,234.51
Total for 1150 Five Star Bank Ckg								**-$672.46**	
1400 Prepaid Expense									
	Beginning Balance								950.00
Total for 1400 Prepaid Expense								**$0.00**	
2000 Accounts Payable									
	Beginning Balance								6,165.00
	2000 Accounts Payable	06/30/2026	Bill	106697	Aleshire & Wynder	5/1/26-5/31/26 Legal Services	5800 Legal Services	3,096.00	9,261.00
	2000 Accounts Payable	06/30/2026	Bill	1398	Confluence Engineering Solutions, Inc.	1/1/26-3/31/26 Executive Director	5200 GSA Management/Admin	50,792.26	60,053.26
	2000 Accounts Payable	06/30/2026	Bill	107666	Aleshire & Wynder	6/1/26-6/30/26 Legal Services	5800 Legal Services	2,556.00	62,609.26
	2000 Accounts Payable	06/30/2026	Bill	099760151	GeoSystems Analysis, Inc.	Monitoring Network	6504 GSP - Monitoring Network (incl.GDEs)	292.50	62,901.76
	2000 Accounts Payable	06/30/2026	Bill	099760152	GeoSystems Analysis, Inc.	Monitoring Network	6504 GSP - Monitoring Network (incl.GDEs)	3,816.25	66,718.01
	2000 Accounts Payable	06/30/2026	Bill	00515.009-8	GSI Water Solutions, Inc.	5/1/26-5/31/26 5-yr Periodic Evaluation	6503 GSP - Update	22,476.25	89,194.26
	2000 Accounts Payable	06/30/2026	Bill	00515.009-9	GSI Water Solutions, Inc.	6/1/26-6/30/26 5-yr Periodic Evaluation	6503 GSP - Update	14,698.25	103,892.51
	2000 Accounts Payable	06/30/2026	Bill	2341	Santa Ynez Community Services District	5/29/26 Board Room Rental	5350 Public Relations	79.41	103,971.92
	2000 Accounts Payable	06/30/2026	Bill	11288	Onsite Computers & Design Inc	6/29/26 Setup New Shared Mailbox	5350 Public Relations	150.00	104,121.92
	2000 Accounts Payable	06/30/2026	Bill	0012820	MLJ Environmental, LLC	Watermark Core Module 5.1.26-5.30.26	6501 GSP - Well Measure & Report Program	1,585.00	105,706.92
	2000 Accounts Payable	06/30/2026	Bill	0012854	MLJ Environmental, LLC	Watermark Core Module 6.1.26-6.30.26	6501 GSP - Well Measure & Report Program	15,612.50	121,319.42
	2000 Accounts Payable	06/30/2026	Bill	I-12738	Moss Levy & Hartzheim LLP	Audit Services FY 24.25	5310 Audit	15,660.00	136,979.42
Total for 2000 Accounts Payable								**$130,814.42**	
2501 Loan from SYRWCD									
	Beginning Balance								112,438.75
Total for 2501 Loan from SYRWCD								**$0.00**	
2502 Loan from County of SB									
	Beginning Balance								112,438.75
Total for 2502 Loan from County of SB								**$0.00**	
2503 Loan from City of Solvang									
	Beginning Balance								112,438.75
Total for 2503 Loan from City of Solvang								**$0.00**	
2504 Loan from ID No. 1									
	Beginning Balance								112,438.75
Total for 2504 Loan from ID No. 1								**$0.00**	
3000 Ret Earnings									
	Beginning Balance								2,425.67
Total for 3000 Ret Earnings								**$0.00**	
Retained Earnings									
	Beginning Balance								-252,359.51
Total for Retained Earnings								**$0.00**	
4300 Groundwater Extraction Fee									
	Beginning Balance								428,524.18
	4300 Groundwater Extraction Fee	06/30/2026	Deposit		Santa Barbara County	Barbara Coaut Trace Sy River Valley Gsa	1150 Five Star Bank Ckg	2,121.96	430,646.14
Total for 4300 Groundwater Extraction Fee								**$2,121.96**	
4500 Grant Revenue									
	Beginning Balance								85,127.74

EMA GSA
General Ledger
June 1-30, 2026

	Distribution account	Transaction date	Transaction type	Num	Name	Description	Split	Amount	Balance
Total for 4500 Grant Revenue								**$0.00**	
4600 Interest Income									
	Beginning Balance								128.38
	4600 Interest Income	06/30/2026	Deposit		Five Star Bank	Interest Deposit	1150 Five Star Bank Ckg	23.24	151.62
Total for 4600 Interest Income								**$23.24**	
5200 GSA Management/Admin									
	Beginning Balance								67,958.88
	5200 GSA Management/Admin	06/30/2026	Bill	1398	Confluence Engineering Solutions, Inc.	1/1/26-3/31/26 Executive Director	2000 Accounts Payable	50,792.26	118,751.14
Total for 5200 GSA Management/Admin								**$50,792.26**	
5310 Audit									
	5310 Audit	06/30/2026	Bill	I-12738	Moss Levy & Hartzheim LLP	Audit Services FY 24.25	2000 Accounts Payable	15,660.00	15,660.00
Total for 5310 Audit								**$15,660.00**	
5320 Office Expense (incl postage)									
	Beginning Balance								1.25
Total for 5320 Office Expense (incl postage)								**$0.00**	
5330 Outside Staff Support									
	Beginning Balance								1,418.75
Total for 5330 Outside Staff Support								**$0.00**	
5350 Public Relations									
	Beginning Balance								3,022.08
	5350 Public Relations	06/30/2026	Bill	2341	Santa Ynez Community Services District	5/29/26 Board Room Rental	2000 Accounts Payable	79.41	3,101.49
	5350 Public Relations	06/30/2026	Bill	11288	Onsite Computers & Design Inc	6/29/26 Setup New Shared Mailbox	2000 Accounts Payable	150.00	3,251.49
Total for 5350 Public Relations								**$229.41**	
5360 Insurance									
	Beginning Balance								4,892.55
Total for 5360 Insurance								**$0.00**	
5800 Legal Services									
	Beginning Balance								40,221.54
	5800 Legal Services	06/30/2026	Bill	106697	Aleshire & Wynder	5/1/26-5/31/26 Legal Services	2000 Accounts Payable	3,096.00	43,317.54
	5800 Legal Services	06/30/2026	Bill	107666	Aleshire & Wynder	6/1/26-6/30/26 Legal Services	2000 Accounts Payable	2,556.00	45,873.54
Total for 5800 Legal Services								**$5,652.00**	
6400 Annual Report									
	Beginning Balance								51,863.05
Total for 6400 Annual Report								**$0.00**	
6501 GSP - Well Measure & Report Program									
	Beginning Balance								21,493.92
	6501 GSP - Well Measure & Report Program	06/26/2026	Expense	N43241	PIP Marketing Signs Print	Well Registration Mailer - Printing & Postage	1150 Five Star Bank Ckg	2,817.66	24,311.58
	6501 GSP - Well Measure & Report Program	06/30/2026	Bill	0012820	MLJ Environmental, LLC	Watermark Core Module 5.1.26-5.30.26	2000 Accounts Payable	1,585.00	25,896.58
	6501 GSP - Well Measure & Report Program	06/30/2026	Bill	0012854	MLJ Environmental, LLC	Watermark Core Module 6.1.26-6.30.26	2000 Accounts Payable	15,612.50	41,509.08
Total for 6501 GSP - Well Measure & Report Program								**$20,015.16**	
6502 GSP - Rate Study									
	Beginning Balance								20,460.00
Total for 6502 GSP - Rate Study								**$0.00**	
6503 GSP - Update									
	Beginning Balance								176,313.72
	6503 GSP - Update	06/30/2026	Bill	00515.009-8	GSI Water Solutions, Inc.	5/1/26-5/31/26 5-yr Periodic Evaluation	2000 Accounts Payable	22,476.25	198,789.97
	6503 GSP - Update	06/30/2026	Bill	00515.009-9	GSI Water Solutions, Inc.	6/1/26-6/30/26 5-yr Periodic Evaluation	2000 Accounts Payable	14,698.25	213,488.22
Total for 6503 GSP - Update								**$37,174.50**	

EMA GSA
General Ledger
June 1-30, 2026

	Distribution account	Transaction date	Transaction type	Num	Name	Description	Split	Amount	Balance
6504 GSP - Monitoring Network (incl.GDEs)									
	Beginning Balance								64,263.75
	6504 GSP - Monitoring Network (incl.GDEs)	06/30/2026	Bill	099760151	GeoSystems Analysis, Inc.	Monitoring Network	2000 Accounts Payable	292.50	64,556.25
	6504 GSP - Monitoring Network (incl.GDEs)	06/30/2026	Bill	099760152	GeoSystems Analysis, Inc.	Monitoring Network	2000 Accounts Payable	3,816.25	68,372.50
Total for 6504 GSP - Monitoring Network (incl.GDEs)								**$4,108.75**	

Accrual Basis Tuesday, July 14, 2026 09:06 PM GMTZ

EMA GSA

Check Detail Report

June 1-30, 2026

TRANSACTION DATE	TRANSACTION TYPE	NUM	NAME	DESCRIPTION	CLEARED	AMOUNT
1150 Five Star Bank Ckg						
06/26/2026	Expense	N43241	PIP Marketing Signs Print	Well Registration Mailer - Printing & Postage	Reconciled	-2,817.66
06/26/2026	Expense	N43241	PIP Marketing Signs Print	Well Registration Mailer - Printing & Postage		2,817.66

RECORDING REQUESTED BY:
Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency
P.O. Box 7098, Los Osos, CA 93412

WHEN RECORDED MAIL TO:
Santa Ynez River Valley
Groundwater Basin Eastern
Management Area Groundwater
Sustainability Agency
P.O. Box 7098, Los Osos, CA
93412

This instrument is for the benefit of the Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency and is entitled to be recorded without fee. (Govt. Code 6103)

DOCUMENTARY TRANSFER TAX $0.00

GRANT OF EASEMENT AGREEMENT
FOR GROUNDWATER MONITORING WELLS

THIS GRANT OF EASEMENT AGREEMENT **("Agreement")** is entered into as of the ____day of ________, 2026, by and between the CHAMBERLIN RANCH, LLC **("Grantor"),** and the SANTA YNEZ RIVER VALLEY GROUNDWATER BASIN EASTERN MANAGEMENT AREA GROUNDWATER SUSTAINABILITY AGENCY **("Agency").**

WITNESSETH

WHEREAS, Grantor owns that certain real property located at __________ and more particularly described on **EXHIBIT A**, (the "**Grantor's Property**"); and

WHEREAS, the Agency is a groundwater sustainability agency formed pursuant to the Sustainable Groundwater Management Act ("**SGMA**"), whose jurisdiction overlies the eastern portion of the Santa Ynez River Valley Groundwater Basin; and

WHEREAS, pursuant to the Agency's adopted Groundwater Sustainability Plan ("**GSP**"), Santa Ynez River Water Conservation District ("**District**") and Agency have entered into a subgrant agreement that provides for, among other things, the Agency carrying out specified components (or portions thereof) of a state of California grant agreement, pursuant to which the Agency will need to access Grantor's Property. Specifically, in order to carry out the Agency's grant responsibilities, Agency will need to install and maintain groundwater monitoring wells, and implement a well monitoring and reporting program; and

WHEREAS, Grantor has agreed to grant the Agency limited access onto Grantor's Property, subject to the terms and conditions as set forth in this Agreement, for the purpose of installing and maintaining a monitoring well on Grantor's Property.

WHEREAS, the legal description of the specific location of the monitoring well is more particularly described in **EXHIBIT B** attached hereto and incorporated herein by this reference

(**Well Site**); and

WHEREAS, the Agency's installation, use, maintenance, operation, repair, replacement, refurbishment, upgrading, destruction, sealing and closure of, and access to, the monitoring well is to be at no cost to Grantor; and

WHEREAS, Agency requires reasonable access across Grantor's Property in order to comply with its statutory responsibilities; and

WHEREAS, Agency recognizes that the Grantor may wish to modify Grantor's Property in the future and to provide for this potentiality this Agreement expressly allows the Grantor to modify the Agency's access path in the future, so long as the Agency is provided access to the Well Site from public roads.

NOW, THEREFORE, in consideration of the mutual covenants, obligations, and promises contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The above recitals are true and correct and made a part hereof.

2. Grantor hereby grants and conveys to Agency a non-exclusive, surface and subsurface easements in gross in, upon and across Grantor's Property for the purposes of developing a monitoring well ("Monitoring Well") at the Well Site. The Agency's development of the Well Site shall only include the installation, use, maintenance, operation, repair, replacement, refurbishment, upgrading, destruction, sealing and closure of the Monitoring Well, as needed. It is agreed that the monitoring well shall only be used for the purpose of monitoring groundwater elevations. The monitoring well shall not be used for the purpose of monitoring groundwater quality without prior written approval from Grantor.

3. Grantor hereby grants and conveys to Agency a nonexclusive in gross access easement across the Grantor's Property for passage to and from public streets and the Well Site (the **"Access Easement").** The Agency shall use the route designated in writing by Grantor on **Exhibit B** attached hereto. The Grantor may from time to time designate, redesignate, or move the access routes the Agency may use to any location within the Grantor's Property provided that the altered route affords the Agency reasonable vehicular and necessary equipment access between the Well Site and at least one (1) public street. If the Agency believes that an access path designated by Grantor provides inadequate access to the Well Site, Grantor and the Agency agree to engage in good faith negotiations to resolve the dispute. In the event such negotiations are unsuccessful, the Parties agree to mediate the dispute.

4. Grantor hereby grants and conveys to the Agency a nonexclusive easement (the "**Work Easement**") over the Grantor's Property, in the location outlined in blue on Exhibit B attached hereto, solely for the purpose of conducting the work set forth in **EXHIBIT C** hereto (the "**Work**"). Upon completion of any phase of Work, Agency shall restore the portion of the Grantor's Property utilized by Agency in connection with the Work to a condition substantially equal to that existing immediately prior to the commencement of the Work (the "**Restoration**"). Agency and Grantor shall use reasonable efforts, in light of expense and convenience, to minimize any interference with the other's use of the Grantor's Property or the easements granted hereunder. However, Agency shall at all times allow Grantor reasonable vehicular access to the existing gate in the fence located next to the area outlined in blue on Exhibit B attached hereto.

5. This Agreement does not convey to Agency fee simple title to any portion of the Grantor’s Property and Grantor shall not obstruct access to the Well Site.

6. The Easement granted herein is subject to all existing fencing, drainage and utility easements, public roads, electrical transmission facilities, and communication lines existing on the date this document is signed by Grantor. Grantor may exercise all potential future uses which do not directly or indirectly interfere with or endanger Agency’s exercise of the rights described herein.

7. Schedule or Notice of Access. Agency shall undertake reasonable efforts to notify Grantor at least twenty-four (24) hours in advance of accessing the Grantor’s Property pursuant to the access rights granted under this Agreement.

8. Abandonment and Termination of Agreement.

a. Within thirty (30) days after abandonment of the Monitoring Well by the Agency, or receipt of notice from the state of California that the Monitoring Well is no longer required, Agency shall commence the process of closing the Monitoring Well in accordance with all then-applicable laws and regulations and shall complete closure within one hundred eighty (180) days thereafter.

b. Upon the completion of the Monitoring Well’s closure, this Agreement shall terminate and Agency shall execute such notice of termination and/or quitclaim and/or reconveyance as Grantor may reasonably require.

9. The Work and the Restoration shall be undertaken at Agency’s sole cost and expense and shall be performed in a good and workmanlike manner, and in accordance with all applicable federal, state, and local laws and regulations including, without limitation, all applicable health, safety and environmental laws and regulations.

10. The undersigned specifically represents that they are authorized to execute this Agreement and that the parties have the rights and capacities to perform the acts contemplated by this Agreement.

11. Hold Harmless.

a. Grantor agrees to indemnify and hold harmless Agency, its officers, agents, employees, principals, elected officials, and volunteers from any and all claims, actions or losses, damages, and/or liabilities, including without limitation reasonable attorneys' fees and costs (collectively, **"Claims"),** resulting from bodily injury or property damage occurring on the Grantor’s Property and caused by Grantor's negligence or intentional misconduct, but excluding all such Claims to the extent arising out of the negligence or willful misconduct of Agency or its employees, agents, or contractors.

b. Agency agrees to indemnify and hold harmless Grantor and its property manager and their respective officers, agents, employees, principals, and volunteers from any and all Claims resulting from bodily injury or property damage occurring on the Grantor’s Property and caused by Agency's negligence or intentional misconduct, but excluding all such Claims to the extent arising out of the negligence or willful misconduct of Grantor or its employees, agents, or contractors.

12. Agency shall cause all contractors entering the Grantor's Property on Agency's behalf to maintain commercial general liability insurance with a combined single limit equal to or exceeding the Minimum Coverage Limits covering bodily injury, personal injury, death and property damage liability per occurrence and in the aggregate insuring Agency against any and all liability arising out of Agency's use of the easements granted herein or related to the exercise of any rights of Agency under this Agreement. All such insurance shall name as additional insureds Grantor and any affiliates designated by Grantor, contain a waiver of the right of subrogation, be primary and non-contributory to Grantor's insurance, be issued by an insurance company having a rating of at least A XII in the current Best's Key Rating Guide, and be issued on an occurrence basis. Prior to entering Grantor's Property, Agency shall deliver to Grantor a certificate and endorsements indicating that such insurance is currently in force. The **"Minimum Coverage Limits"** shall mean one million dollars ($1,000,000), as adjusted for changes in the CPI since the recording of this Agreement.

13. Except as otherwise indicated herein, all notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, sent by e-mail, sent by facsimile, sent via overnight mail delivery service, or United States mail which is sent by first class, registered or certified with return receipt requested, with proper postage prepaid, in each case address as follows:

Grantor: Chamberlin Ranch, LLC
PO Box 218, Los Olivos, CA. 93441

Agency: Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency
P.O. Box 7098, Los Osos, CA 93412

14. Agency acknowledges and agrees that Grantor may use the Grantor's Property for development or other lawful purposes, and Agency agrees to accommodate such development of the Grantor's Property in the exercise of Agency's rights under this Agreement. Specifically, Agency shall maintain Monitoring Well in a clean and presentable manner, free of waste, rubbish, trash, noxious or unpleasant odors, and appreciable noise, and in compliance with applicable law. Agency shall not cause or permit the Monitoring Well to leak or emit liquids or gases or interfere unreasonably with the lawful use of the Grantor's Property by Grantor or by any occupant or invitee. Agency shall promptly repair and restore any Monitoring Well that may be damaged or destroyed, and Grantor shall not interfere with that Work. Grantor and its successors and assigns shall reimburse Agency for the reasonable cost of repairs to any Monitoring Well that is damaged or destroyed by any act of Grantor, its successors, assigns, agents, employees or contractors.

15. This Agreement may be modified or terminated by a written amendment signed by Grantor and Agency; shall be governed by the laws of the State of California; is the complete agreement of the parties and shall be interpreted so far as possible to give validity and force to accomplish the overall purposes expressed in it; and may be executed in any number of counterparts, each deemed to be an original.

16. The Agency and Grantor intend that this document creates recordable easements, and that the recordable easements created herein shall run with the land and be binding upon Grantor's successors and assigns. Agency, its successors and assigns and its and their duly authorized employees, contractors, suppliers and agents and any and all

governmental agencies or authorities that require access to the Grantor’s Property in connection with the Work or the Restoration are authorized to enter and inspect the Monitoring Well and all other such rights granted herein pursuant to the terms of this Agreement. Grantor agrees to approve and execute all documentation necessary to create and record this Agreement and right of access.

17. It is intended that during the term of this Agreement, BUT ONLY DURING THE TERM OF THIS AGREEMENT, the Easements set forth in this Agreement shall continue to be a nonexclusive and shall be construed as both against the owner of the Grantor’s Property and its respective successors, assigns, agents, servants and representatives.

18. Agency will obtain and maintain any and all current permits and/or licenses required by any department, local, state, and/or federal authority which is required in order for Agency to engage in the use permitted herein. Agency agrees to be responsible for any increase in ad valorem real estate taxes charged to Grantor as a direct result of this Agreement.

19. This Agreement shall be binding upon the successors, assigns, agents and servants of both Grantor and Agency.

20. The Parties hereby agree to mediate each controversy, dispute, or claim between Grantor and Agency arising out of or related to this Agreement (collectively, a **"Controversy")**, by a mediator jointly approved by the Parties. In the event any legal action is subsequently brought by either party, the prevailing party in such action shall be entitled to recover all costs and expenses incurred for prosecution, defense, consultation, or advice in such action or proceeding.

21. Grantor may install any improvements desired by Grantor surrounding the Monitoring Well, so long as the improvements do not deny Agency access to the Monitoring Well.

22. Agency shall repair all damage done to Grantor’s Property in connection with the exercise of Agency's rights or the performance of Agency's obligations hereunder and restore the repaired areas to a condition consistent with the surrounding area and in a condition substantially similar to that existing prior to Agency's work, so long as the improvements damaged by the Agency were not installed in violation of this Agreement.

23. In exercising the rights herein granted, Agency and its contractors must use reasonable care and may not unreasonably increase the burden on or make any material changes to Grantor’s Property. Agency agrees that it will not commit waste on, maintain a nuisance thereon, or use Grantor’s Property in a manner not provided for in this Agreement.

24. Agency shall perform all acts permitted or required hereunder, including without limitation the installation, maintenance, repair, replacement, and removal of the Monitoring Well in accordance with all applicable laws, regulations, and ordinances, in a good and workmanlike manner, using first-class materials and, where required by law, licensed contractors, with due care for the safety of other persons and their property. Agency shall make any permitted excavations in a manner that does the least injury to the surface of the surrounding land. Agency shall use its best efforts to minimize any inconvenience to Grantor’s Property and Grantor’s tenants and occupants caused by the performance of the acts permitted or required of Agency hereunder.

25. Agency may not use or carry Hazardous Substances on or about Grantor's Property except to the extent in accordance with applicable law, necessary and customary in the use of the Monitoring Well, and reasonable under the circumstances. Agency shall indemnify, defend, and hold harmless Grantor and its property manager and their respective officers, agents, employees, principals, and volunteers from all Claims arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs at or from Grantor's Property and arises from Agency's use or occupancy thereof or is caused by the existence or use of the Monitoring Well, except that Agency shall not be liable under this section for claims resulting solely from the negligence or intentional misconduct of Grantor. **"Hazardous Substances"** means (a) all chemicals, materials, or substances, whether gaseous, solid or liquid, for which the use, storage, handling, generation, treatment, disposal, discharge, release, transportation, clean-up, or notification is subject to any laws, regulations, or ordinances, and (b) all flammables, explosives, radioactive materials, asbestos and other carcinogens, chlorinated biphenyls (PCB's), pesticides, chemicals known to cause reproductive toxicity, petroleum, and petroleum by-products and derivatives, whether or not such substances are subject to regulation under such laws, regulations, or ordinances.

26. Agency shall keep Grantor's Property free from liens arising from any work performed, materials supplied, or obligations incurred by or for Agency.

27. Upon transferring to a third-party fee simple title to Grantor's Property, Grantor (or any successor to Grantor then transferring title) shall have no further obligations hereunder and shall be released automatically from all liability accruing or based upon events occurring after the transfer.

28. If any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement shall not be affected and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

AGENCY
Eastern Management Area
Groundwater Sustainability Agency

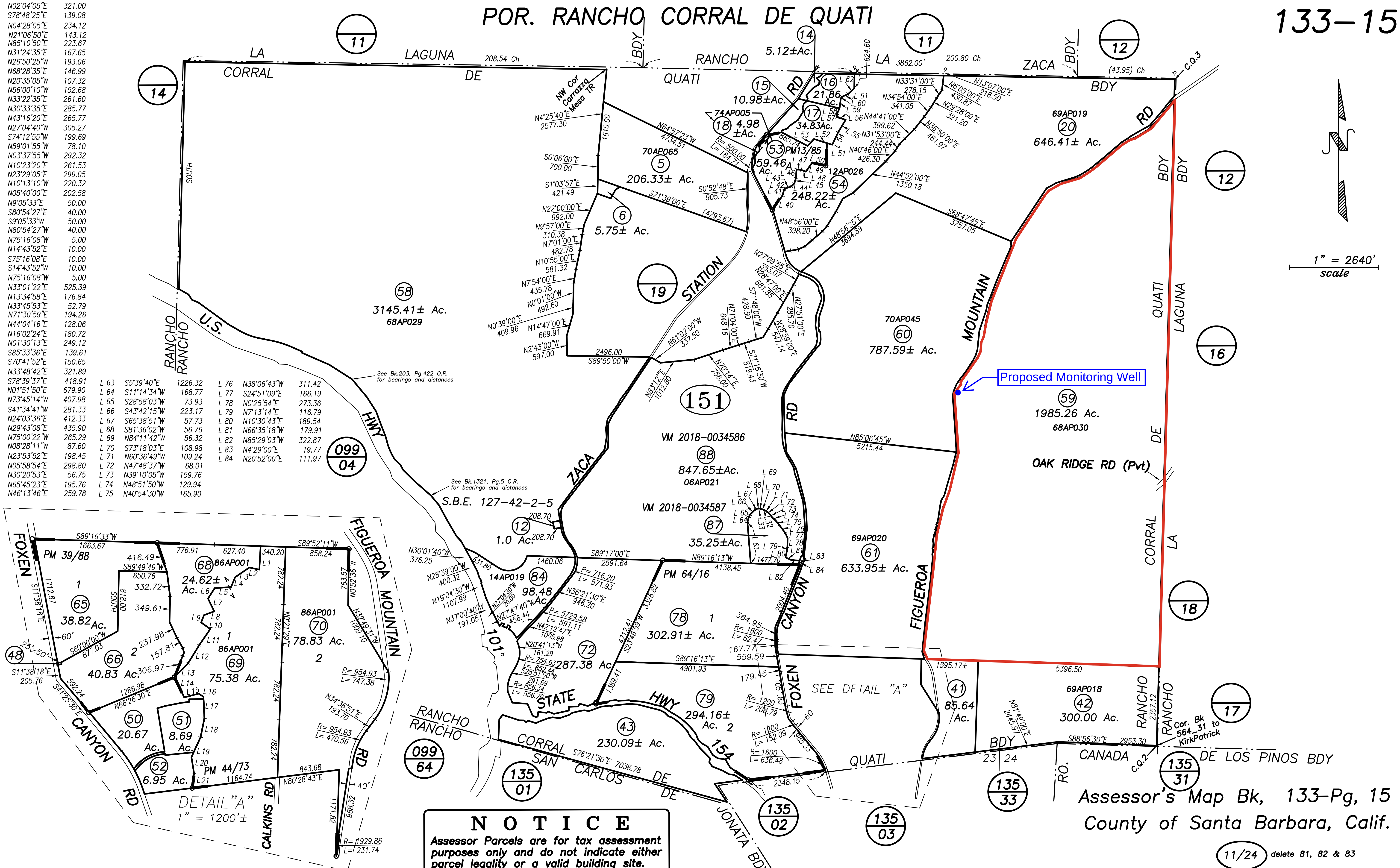
GRANTOR:
Chamberlin Ranch

LIST OF EXHIBITS

Exhibit "A" Legal Description and Map of the Grantor Property
Exhibit "B" Approximate Location of Work, Well, and Access
Exhibit "C" Description of Work Activities

Exhibit A

Legal Description and Map of the Grantor Property



LINE TABLE		
NO.	BEARING	DISTANCE
L 1	N02°04'05"E	321.00
L 2	S78°48'25"E	139.08
L 3	N04°28'05"E	234.12
L 4	N21°06'50"E	143.12
L 5	N85°10'50"E	223.67
L 6	N31°24'35"E	167.65
L 7	N26°50'25"W	193.06
L 8	N68°28'35"E	146.99
L 9	N20°35'05"W	107.32
L 10	N56°00'10"W	152.68
L 11	N33°22'35"E	261.60
L 12	N30°33'35"E	285.77
L 13	N43°16'20"E	265.77
L 14	N27°04'40"W	305.27
L 15	S74°12'55"W	199.69
L 16	N59°01'55"W	78.10
L 17	N03°37'55"W	292.32
L 18	N10°23'20"E	261.53
L 19	N23°29'05"E	299.05
L 20	N10°13'10"W	220.32
L 21	N05°40'00"E	202.58
L 22	N9°05'33"E	50.00
L 23	S80°54'27"E	40.00
L 24	S9°05'33"W	50.00
L 25	N80°54'27"W	40.00
L 26	N75°16'08"W	5.00
L 27	N14°43'52"E	10.00
L 28	S75°16'08"E	10.00
L 29	S14°43'52"W	10.00
L 30	N75°16'08"W	5.00
L 40	N33°01'22"E	525.39
L 41	N13°34'58"E	176.84
L 42	N33°45'53"E	52.79
L 43	N71°30'59"E	194.26
L 44	N44°04'16"E	128.06
L 45	N16°02'24"E	180.72
L 46	N01°30'13"E	249.12
L 47	S85°33'36"E	139.61
L 48	S70°41'52"E	150.65
L 49	N33°48'42"E	321.89
L 50	S78°39'37"E	418.91
L 51	N01°51'50"E	679.90
L 52	N73°45'14"W	407.98
L 53	S41°34'41"W	281.33
L 54	N24°03'36"E	412.33
L 55	N29°43'08"E	435.90
L 56	N75°00'22"W	265.29
L 57	N08°28'11"W	87.60
L 58	N23°53'52"E	198.45
L 59	N05°58'54"E	298.80
L 60	N30°20'53"E	56.75
L 61	N65°45'23"E	195.76
L 62	N46°13'46"E	259.78
L 63	S5°39'40"E	1226.32
L 64	S11°14'34"W	168.77
L 65	S28°58'03"W	73.93
L 66	S43°42'15"W	223.17
L 67	S65°38'51"W	57.73
L 68	S81°36'02"W	56.76
L 69	N84°11'42"W	56.32
L 70	S73°18'03"E	108.98
L 71	N60°36'49"W	109.24
L 72	N47°48'37"W	68.01
L 73	N39°10'05"W	159.76
L 74	N48°51'50"W	129.94
L 75	N40°54'30"W	165.90
L 76	N38°06'43"W	311.42
L 77	S24°51'09"E	166.19
L 78	N0°25'54"E	273.36
L 79	N7°13'14"E	116.79
L 80	N10°30'43"E	189.54
L 81	N66°35'18"W	179.91
L 82	N85°29'03"W	322.87
L 83	N4°29'00"E	19.77
L 84	N20°52'00"E	111.97

NOTICE

Assessor Parcels are for tax assessment purposes only and do not indicate either parcel legality or a valid building site.

Assessor's Map Bk, 133–Pg, 15
County of Santa Barbara, Calif.

11/24 delete 81, 82 & 83

Exhibit B

Approximate Location of Work, Well, and Access

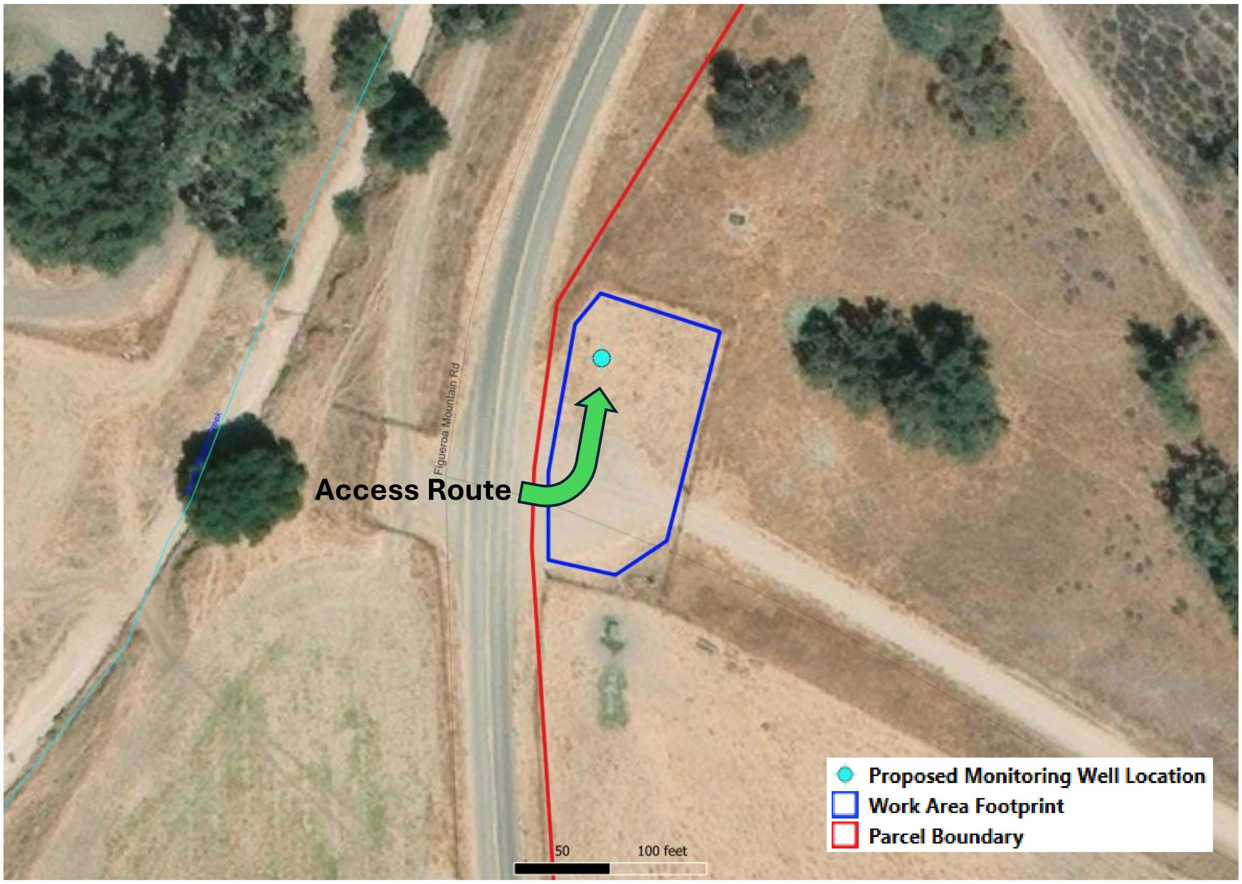


Figure 1. Proposed Monitoring Well Location and Work Area Footprint

The proposed well location is:

34.70807094, -120.11218271, (WGS84)

Exhibit C

Description of Work Activities

Work activities will occur in two phases:

1. Well drilling and construction
2. Monitoring of groundwater levels in well

Phase 1

During the first phase of work activities, a drill rig and various support equipment will be utilized to drill and install the monitoring well. It is expected that the monitoring well will be installed to a depth of 300 feet or less. The drilling will be conducted with mud-rotary drilling technology utilizing National Sanitation Foundation (NSF)-certified drilling fluids during the drilling process. Substrate soil cuttings and remnant drilling fluid generated during drilling will be disposed of on the property at a pre-designated location. The drilling and well construction work activities are expected to occur over the course of approximately one to weeks.

Phase 2

Once the monitoring well is installed, the Agency will monitor groundwater levels in the well over a period equivalent to the useful life of the well, or as long as the term of this agreement. It is expected that monitoring events will occur twice per year, during the seasons of spring and fall.

2026-27 EMA GSA Budget

July 1, 2026 - June 30, 2027

Revenues		Adopted FY 25/26		Estimated FYE 2026		Adopted vs Estimated Variance		Proposed FY 26/27	Comment
Member Agency Contributions (reimbursable)	$	-	$	-	$	-	$	-	
SGMA Grant Reimbusement	$	676,672	$	405,027	$	271,645	$	271,645	Remaining DWR Grant Funds
SGMA Fees	$	-	$	455,576	$	(455,576)	$	619,993	Per adopted rate schedule
Interest	$	-	$	183	$	(183)	$	200	
Total Revenue	**$**	**676,672**	**$**	**860,786**	**$**	**(184,114)**	**$**	**891,838**	
Expenses									
Internal Operations/Expenses									
Executive Director	$	151,988	$	193,751	$	(41,763)	$	208,374	
Revenue Generating Fee Program Administration	$	50,000	$	-	$	50,000	$	-	Include in Exec Dir Exp
IT Support	$	-	$	-	$	-	$	-	
Grant Development (2 grants)	$	-	$	-	$	-	$	-	
Outreach Program	$	-	$	-	$	-	$	-	
Travel & Training	$	-	$	-	$	-	$	-	
Bookkeeping	$	6,386	$	1,419	$	4,967	$	-	Include in Exec Dir Exp
Annual Audit	$	25,000	$	15,000	$	10,000	$	25,000	SALY
General Liability Insurance	$	6,180	$	4,893	$	1,287	$	6,180	SALY
Professional Association Dues (ACWA, etc.)	$	-	$	-	$	-	$	-	
Miscellaneous (internet, room rental, webpage, postage etc)	$	1,030	$	3,102	$	(2,072)	$	3,195	3% Inc
Website hosting	$	2,348	$	-	$	2,348	$	2,418	3% Inc
Member Agency Payback	$	-	$	-	$	-	$	100,000	Per Cost Share Agmt
Subtotal Internal Operations/Expenses	**$**	**242,932**	**$**	**218,164**	**$**	**24,769**	**$**	**345,168**	
Legal (assume not reimbursable)									
General Counsel	$	61,800	$	46,513	$	15,288	$	61,800	SALY
Specialized Legal Counsel	$	20,600	$	-	$	20,600	$	20,600	SALY
Subtotal Legal	**$**	**82,400**	**$**	**46,513**	**$**	**35,888**	**$**	**82,400**	
Technical Support Services									
Hydrogeologic/Engineering	$	50,000	$	-	$	50,000	$	-	Budget moved to Annl Rpt
Groundwater Level Monitoring	$	-	$	-	$	-	$	-	
Annual Report	$	-	$	-	$	-	$	50,000	
5-Yr GSP Evaluation	$	-	$	-	$	-	$	-	
GSP Amendment	$	-	$	-	$	-	$	-	
Well Registration Platform Software	$	-	$	-	$	-	$	33,071	MLJ Environmental
Subtotal Technical Support Services	**$**	**50,000**	**$**	**-**	**$**	**50,000**	**$**	**83,071**	
Prop 68 Grant									
Grant Components 2-5 Jul 23-Jun 24	$	-	$	-	$	-	$	-	
Grant Components 2-5 Jul 24-Jun 25	$	-	$	-	$	-	$	-	
Grant Components 2-8 FY 25/26 & 26/27	$	773,339	$	405,027	$	368,312	$	271,645	Remaining DWR Grant Funds
Subtotal Prop 68 Grant	**$**	**773,339**	**$**	**405,027**	**$**	**368,312**	**$**	**271,645**	
Contingencies	**$**	**75,066**	**$**	**-**	**$**	**75,066**	**$**	**75,066**	
Reserves	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**34,488**	
Total Expenses	**$**	**1,223,738**	**$**	**669,704**	**$**	**554,034**	**$**	**891,838**	
Revenue Minus Expense or Surplus/(Deficit)	**$**	**(547,066)**	**$**	**191,082**	**$**	**(738,148)**	**$**	**-**	

Report of Independent Auditors and Financial Statements with
Required Supplementary Information

**Santa Ynez River Valley Groundwater Basin
Eastern Management Area
Groundwater Sustainability Agency**

June 30, 2025

Table of Contents

Moss, Levy & Hartzheim LLP
Certified Public Accountants

Report of Independent Auditors

To The Board of Directors
Santa Ynez River Valley Groundwater Basin Eastern Management Area
Groundwater Sustainability Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency (the "Agency"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the major fund of the Agency, as of June 30, 2025, and the respective changes in financial position and cash flows thereof 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2026, on our consideration of the Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
July 23, 2026

Santa Ynez River Valley Groundwater Basin

Eastern Management Area
Groundwater Sustainability Agency

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

$315,649	**$565,584**	**$(249,935)**
Total Assets	Total Liabilities	Net Position

Prepared by Agency Management

Introduction

As management of the Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency (the "Agency" or "EMA GSA"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2025. This represents the Agency's first year of operations as a separate public entity following execution of the Joint Exercise of Powers Agreement (JPA) on July 16, 2024.

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements and accompanying notes, which follow this section.

Overview of the Financial Statements

The Agency's basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and Notes to the Basic Financial Statements. The Agency is reported as a single enterprise fund, using the full accrual basis of accounting, in a manner similar to a private business enterprise. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid.

Financial Highlights

The fiscal year ending June 30, 2025, represents the Agency's first year of operations under the JPA. Key financial highlights for the year include:

- Total assets at year-end were $315,649, consisting of cash and cash equivalents of $162,589, grants receivable of $152,110 due from the California Department of Water Resources under the Proposition 68 Sustainable Groundwater Management Act Grant Program, and prepaid expenses of $950.

- Total liabilities were $565,584, including $142,731 in accounts payable, and $422,853 in noncurrent loans payable to member agencies (SYRWCD, Santa Barbara County Water Agency, SYRWCD Improvement District No. 1, and City of Solvang).

- The Agency reported a negative unrestricted net position of $(249,935) at June 30, 2025, a decrease of $201,077 from the beginning-of-year net position of $(48,858). Grant reimbursement revenue recognized during the year partially offset operating expenses and the Agency's reliance on member agency loans for start-up costs.

- Total operating expenses were $602,419. The Agency did not recognize any operating revenues during the fiscal year, resulting in an operating loss of $(602,419), which was partially offset by nonoperating revenues.

- Nonoperating revenues totaled $401,342, comprising grant revenues of $401,226 from the Proposition 68 Sustainable Groundwater Management Grant Program, and interest income of $116.

Analysis of Net Position

The Statement of Net Position presents the Agency's assets, liabilities, and net position at the end of the fiscal year. The following table provides a condensed summary:

Statement of Net Position Summary	FY 2024/2025
Assets	
Cash and cash equivalents	$162,589
Grants receivable	$152,110
Prepaid expenses	$950
Total assets	**$315,649**
Liabilities	
Accounts payable	$142,731
Loans payable to member agencies (noncurrent)	$422,853
Total liabilities	**$565,584**
Net Position	
Unrestricted	($249,935)
Total net position	**($249,935)**

As this is the Agency's first year of operations under the JPA, prior-year comparative data is not available. At the end of FY 2024/2025, the Agency reported total assets of $315,649 and total liabilities of $565,584, resulting in a net position deficit of $(249,935). The deficit reflects the timing differences between expenditures incurred and grant-related expenses reimbursed quarterly in arrears. Management expects the deficit to be reduced as outstanding grant reimbursements are received in subsequent periods and fees from extraction and acreage are established.

Analysis of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Agency's operating results. The following table provides a condensed summary:

Statement of Revenues, Expenses, and Changes in Net Position	FY 2024/2025
Operating Expenses	
General and administrative	$113,551
Professional services	$402,767
Legal expenses	$86,101
Total operating expenses	**$602,419**
Operating loss	**($602,419)**
Nonoperating Revenues	
Grant revenues	$401,226
Interest income	$116
Total nonoperating revenues	**$401,342**
Change in net position	**($201,077)**
Net position, beginning of year	($48,858)
Net position, end of year	**($249,935)**

The Agency's primary expenses during fiscal year 2024-2025 were professional services ($402,767) for annual report preparation, legal expenses ($86,101) for Board meeting support, contract review/development, and general and administrative costs ($113,551) for executive director and bookkeeping services, and insurance. These expenses were associated with Groundwater Sustainability Plan implementation, regulatory compliance, and Agency administration. These operating costs were partially offset by nonoperating revenues of $401,342, principally grant reimbursement revenue of $401,226 recognized under the Proposition 68 Sustainable Groundwater Management Grant Program. The resulting change in net position was a decrease of $201,077, from a beginning-of-year net position of $(48,858) to $(249,935) at June 30, 2025.

Capital Assets and Long-Term Obligations

Capital Assets – The Agency did not own any capital assets as of June 30, 2025.

Long-Term Obligations – As of June 30, 2025, the Agency had $422,853 in loans payable to its member agencies under the JPA's Cost Sharing and Reimbursement Agreement, allocated $112,439 to the Santa Ynez River Water Conservation District, $112,439 to Santa Barbara County Water Agency, $85,536 to Santa Ynez

River Water Conservation District, Improvement District No. 1, and $112,439 to City of Solvang. Repayment is scheduled over fiscal years 2027 through 2030, contingent upon the Agency establishing sufficient independent revenue.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for its member agencies, stakeholders, and the public. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Dan Heimel, PE, MS
danheimel@ConfluenceES.com
(805) 459-8498

Basic Financial Statements

Statement of Net Position
June 30, 2025

ASSETS	
Cash and cash equivalents	$ 162,589
Grants receivable	152,110
Prepaid expenses	950
Total assets	315,649
LIABILITIES	
Accounts payable	142,731
Noncurrent liabilities	
Notes payable to member agencies	422,853
Total liabilities	565,584
NET POSITION	
Unrestricted	(249,935)
Total net position	$ (249,935)

OPERATING EXPENSES	
General and administrative expense	$ 113,551
Professional services	402,767
Legal expenses	86,101
Total operating expenses	602,419
OPERATING LOSS	(602,419)
NONOPERATING REVENUES	
Grant revenues	401,226
Interest income	116
Total nonoperating revenues	401,342
Change in net position	(201,077)
NET POSITION, beginning of year	(48,858)
NET POSITION, end of year	$ (249,935)

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors	$ (510,772)
Net cash used in operating activities	(510,772)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from loans from member agencies	422,853
Grant revenue received	249,116
Net cash provided by noncapital financing activities	671,969
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	116
Net cash provided by investing activities	116
NET INCREASE IN CASH AND CASH EQUIVALENTS	161,313
CASH AND CASH EQUIVALENTS, beginning of year	1,276
CASH AND CASH EQUIVALENTS, end of year	$ 162,589
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (602,419)
Change in assets and liabilities	
Accounts payable	91,647
Net cash used in operating activities	$ (510,772)

See accompanying notes to basic financial statements.

Note 1 – Reporting Entity

The Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency (the "Agency") is a Joint Powers Authority formed effective July 16, 2024, pursuant to the Joint Exercise of Powers Act and the Sustainable Groundwater Management Act of 2014. The Agency is responsible for the sustainable management of groundwater resources within the Eastern Management Area of the Santa Ynez River Valley Groundwater Basin, a medium-priority coastal basin located in Santa Barbara County, California. The Eastern Management Area is one of three management areas within the Basin and encompasses approximately 150 square miles.

Note 2 – Summary of Significant Accounting Policies

A. 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 providing services on a continuing basis be financed or recovered primarily through user charges. The accounting methods and procedures adopted by the Agency conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental enterprise funds. Accordingly, the financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as it specifically relates to enterprise funds.

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.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses result from exchange transactions associated with the principal activity of the Agency. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to enterprise funds. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency is a limited-purpose government engaged solely in business-type activities; accordingly, activities are reported as an enterprise fund.

C. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

The Agency's cash is held in a single financial institution and at year-end was covered by Federal depository insurance. The Agency defines cash equivalents as highly liquid investments with original maturities of three months or less at the time of purchase. The Agency does not have any cash equivalents as of June 30, 2025.

E. Grants Receivable

Grants receivable represent amounts due from the California Department of Water Resources (DWR) under the Sustainable Groundwater Management Grant Program, which supports implementation of the Sustainable Groundwater Management Act.

The grant operates on a cost-reimbursement basis, whereby the Agency incurs eligible expenditures that are submitted to DWR through the fiscal agent, the Santa Ynez River Water Conservation District, for reimbursement on a quarterly basis in arrears. Grants receivable are recognized when all eligibility requirements have been met as the grant constitutes a voluntary nonexchange transaction.

Grants receivable balance was $152,110 as of June 30, 2025. Management considers grants receivable to be fully collectible; accordingly, no allowance for uncollectible amounts has been recorded.

F. Capital Assets

All property, plant, and equipment acquired or constructed over $5,000 is capitalized at historical cost. Depreciation is recorded on a straight-line basis over the estimated useful life. The Agency did not own any capital assets as of June 30, 2025.

G. Net Position

The Agency is required to report the difference between assets and liabilities as net position. Net position is classified in the following categories:

Net investment in capital assets – This category consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2025, the Agency did not have any capital assets or capital-related debt.

Restricted – This category consists of net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. As of June 30, 2025, the Agency did not have restricted net position.

Unrestricted – This category consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets”.

H. Loans Payable to Member Agencies

Member agency contributions received on a reimbursable basis under the Joint Powers Agreement are classified as loans payable and reported at principal amount outstanding. Interest accrues at the Local Agency Investment Fund yield rate after December 2026 unless waived or extended by the contributing member.

I. **Grant Revenue**

The Agency recognizes grant revenue on a cost-reimbursement basis as eligible expenditures are incurred and the conditions of the grant agreement have been met. Grant funds received in advance of eligible expenditures, if any, are recorded as unearned revenue. Amounts expended but not yet reimbursed are recognized as receivables.

J. **Subsequent Events**

Subsequent events have been evaluated through May 28, 2026, the date the financial statements were available to be issued.

The Agency's groundwater extraction fee took effect on July 1, 2025 following Board adoption. The fee is a volumetric charge based on reported groundwater extraction. The fee is expected to generate approximately $590,000 in fiscal year 2025-2026 and will be primarily collected through the Santa Barbara County tax roll. The fee establishes an independent revenue source for the Agency and is expected to support its financial self-sufficiency.

Note 3 – Cash

On June 30, 2025, the Agency had the following cash on hand:

Cash in bank and on hand	$ 162,589
Total cash, Statement of Net Position	$ 162,589

The Agency's cash is held in a single financial institution in demand deposit accounts. The Agency does not maintain a formal investment policy and does not hold any investments as of June 30, 2025.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be returned. Cash balances held in banks are insured up to $250,000 per depositor by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2025, the Agency's bank balance did not exceed the FDIC insurance limit and was therefore fully insured. The Agency does not have a formal policy for custodial credit risk for deposits.

Note 4 – Loans Payable to Member Agencies

As of June 30, 2025, loans payable to member agencies consisted of the following:

Santa Ynez River Water Conservation District	$ 112,439
Santa Barbara County Water Agency	112,439
Santa Ynez River Water Conservation District, Improvement District No. 1	85,536
City of Solvang	112,439
Total loans payable to member agencies	$ 422,853

The loans were made by member agencies pursuant to the Joint Powers Agreement and Interim Cost Share Agreement. Under the Joint Powers Agreement, contributions accrue interest after December 2026 at the yield rate published by the Local Agency Investment Fund unless waived by the contributing member. Repayment is scheduled over fiscal years 2027 through 2030, with annual principal payments of $100,000 in fiscal years 2027 through 2029 and a final payment in fiscal year 2030 representing remaining principal plus accumulated interest. The loans are not subordinated to any other obligations of the Agency.

Note 5 – Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Agency maintains insurance coverage through the Association of California Water Agencies Joint Powers Insurance Authority and the Golden State Risk Management Authority. There have been no reductions in insurance coverage from coverage in the prior year and no settlements have exceeded insurance coverage.

Note 6 – Related Parties

The following related-party relationships and transactions existed during the year ended June 30, 2025:

Member Agency Loans – The Agency has received loans from member agencies totaling $422,853 to fund operations.

Santa Ynez River Valley Groundwater Basin Groundwater Sustainability Agencies – The Central Management Area Groundwater Sustainability Agency, Western Management Area Groundwater Sustainability Agency, and Eastern Management Area Groundwater Sustainability Agency manage adjacent portions of the same groundwater basin. The three groundwater sustainability agencies coordinate on basin-wide activities including the DWR annual report, the DWR grant implementation, and the Action Plan for Management of All Well Production Along the Santa Ynez River Above the Lompoc Narrows. Cost-sharing agreements exist for inter-management area activities.

Santa Ynez River Water Conservation District (SYRWCD) – SYRWCD is a Joint Powers Agreement member agency providing 25% of the Agency's member agency funding. SYRWCD also serves as the grantee for the $5.5 million DWR Sustainable Groundwater Management Act Implementation Grant on behalf of the three basin Groundwater Sustainability Agencies with funds passed through to the Agency under a Subgrant Agreement.

Administrative Services – Confluence Engineering Solutions provides administrative services to the Agency, including the Executive Director and Board Secretary functions.

Note 7 – Sustainable Groundwater Management Act

The Sustainable Groundwater Management Act (SGMA) was approved by the State of California in 2014 to provide a framework for sustainable management of groundwater resources. Under the requirements of SGMA, the Agency is required to develop, adopt, and implement a Groundwater Sustainability Plan (GSP). The Agency's GSP was submitted to the California Department of Water Resources in January 2022 and was approved by DWR on January 18, 2024, with Recommended Corrective Actions to be addressed in the five-year GSP update. The Agency continues to work on compliance with SGMA, including implementation of the monitoring network, annual reporting to DWR, and engagement of outside consultants to assist in these efforts. The basin is required to achieve sustainability by 2042.

Note 8 – Commitments and Contingencies

Grant Awards – The Agency participates in the $5.5 million DWR Sustainable Groundwater Management Act Implementation Grant. Grant funds received by the Agency are subject to audit by the grantor agency. Such audit could lead to requests for reimbursements to the grantor for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Litigation – In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. The Agency is not currently a party to any pending or threatened litigation as of June 30, 2025.

Note 9 – Joint Powers Agreement

The Agency was formed pursuant to a Joint Powers Agreement (JPA) among four member agencies: City of Solvang, Santa Barbara County Water Agency, Santa Ynez River Water Conservation District, and Santa Ynez River Water Conservation District, Improvement District No. 1.

The Agency is governed by a five-member Board of Directors, consisting of one Director appointed by each member agency and one Agricultural Director representing agricultural interests within the Eastern Management Area. Each Director has one vote. Decisions of the Board generally require an affirmative vote of at least three Directors. A supermajority of four out of five votes is required for specified actions including adoption of the annual budget, amendments to the Groundwater Sustainability Plan, establishment of fees and charges, issuance of indebtedness, and hiring of the Executive Director.

Member agency contributions are made pursuant to the JPA and the Interim Cost Share Agreement. All four member agencies have financial obligations under these agreements.

Note 10 – Intergovernmental Revenue and Grant Funding

The Agency is a beneficiary of a $5.5 million Sustainable Groundwater Management Act Implementation Grant awarded by the California Department of Water Resources. The Santa Ynez River Water Conservation District serves as the direct grantee on behalf of the three management area groundwater sustainability agencies located within the Santa Ynez River Valley Groundwater Basin, with funds allocated to each groundwater sustainability agency through a subgrant agreement. The grant requires no local cost match and is reimbursed quarterly in arrears.

Grant funds support project components including well extraction measurement and reporting, rate studies, annual reporting, Groundwater Sustainability Plan five-year updates, data analysis, infrastructure and monitoring improvements, and aquifer recharge. The State retains audit rights over grant expenditures, and default provisions require repayment with interest in the event of fraud, false statements, or failure to maintain grant-funded improvements.

Note 11 – Negative Net Position

The Agency reported a negative net position of $(249,935) at June 30, 2025. The deficit reflects timing differences between expenditures incurred under the Department of Water Resources Sustainable Groundwater Management Act Implementation Grant and the related reimbursements received through the Santa Ynez River Water Conservation District. The Agency funds operations through member agency loans as needed. Management expects the deficit to be reduced as outstanding grant reimbursements are received in subsequent periods and fees from extraction are established.

Note 12 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the date of this report that have effective dates that may impact future financial presentations.

GASB Statement No. 103, *Financial Reporting Model Improvements* – In April 2024, the GASB issued Statement No. 103, which improves key components of the financial reporting model to enhance effectiveness in providing information essential for decision-making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Agency is evaluating the impact of this statement on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – In September 2024, the GASB issued Statement No. 104, which establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Agency does not currently hold capital assets but will evaluate the impact of this statement as applicable.

Moss, Levy & Hartzheim LLP
Certified Public Accountants

Report of Independent Auditors 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*

To The Board of Directors
Santa Ynez River Valley Groundwater Basin Eastern Management Area
Groundwater Sustainability Agency

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 Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency (the Agency), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 23, 2026.

Report on 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) 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, 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not the 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.

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.

Moss, Levy & Hartzheim LLP

Santa Maria, California
July 23, 2026

Moss, Levy & Hartzheim LLP
Certified Public Accountants

Communication with Those Charged with Governance at the Conclusion of the Audit

To The Board of Directors
Santa Ynez River Valley Groundwater Basin Eastern Management Area
Groundwater Sustainability Agency

We have audited the financial statements of the business-type activities, major fund, and the disclosures, which collectively comprise the basic financial statements of Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency (the "Agency") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 29, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2025. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

> *Accrued liabilities* – Management's estimate of accrued liabilities at year-end is based on an analysis of services received and invoices pending as of June 30, 2025. We evaluated the key factors and assumptions used to develop the accrued liabilities estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were:

> *Loans Payable to Member Agencies* – As described in Note 4, the Agency classifies $422,853 received from member agencies as loans payable rather than as capital contributions. The loans do not bear interest and do not have a formal repayment schedule. Repayment is contingent upon the Agency establishing an independent revenue source sufficient to fund

operations and reimburse member agencies. This classification is a significant accounting policy judgment that directly impacts the Agency's reported net position.

Related Parties – The Agency has significant related party transactions with its member agencies, particularly the Santa Ynez River Water Conservation District, which serves as the grantee for the $5.5 million DWR SGMA Implementation Grant, and provides 25% of the Agency's member agency funding through loans. The nature and extent of these related party relationships and transactions are disclosed in Note 6 to the financial statements.

Commitments and Contingencies – The Agency participates in the $5.5 million DWR SGMA Implementation Grant, which is subject to audit by the grantor agency and contains default provisions requiring repayment with interest. This matter is disclosed in Note 8 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 23, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim LLP

Santa Maria, California
July 23, 2026

Moss, Levy & Hartzheim LLP
Certified Public Accountants

Communication of Deficiencies and Other Matters

To The Board of Directors
Santa Ynez River Valley Groundwater Basin Eastern Management Area
Groundwater Sustainability Agency

In planning and performing our audit of the financial statements of the business-type activities, major fund, and the aggregate remaining fund information of Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency (the "Agency") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency's system of 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 Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

> *Lack of Formal Accounting Policies and Procedures* – During our audit, we noted that the Agency lacks a comprehensive written accounting policies and procedures manual. Specifically, the Agency does not have a formal written investment policy, a formal net position classification policy, or formal year-end accrual procedures. We recommend the Agency develop and adopt a comprehensive accounting policies and procedures manual to strengthen internal controls over financial close and reporting, expenditures, and cash transactions, and to promote consistency and accountability in the Agency's operations.
>
> *No Formal Fraud Risk Assessment or Whistleblower Policy* – The Agency does not have a formal fraud risk assessment, fraud prevention policy, or whistleblower mechanism. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Principle 8 emphasizes the

importance of considering the potential for fraud when assessing risks to organizational objectives. We recommend the Agency develop and implement a formal fraud risk assessment process, adopt a fraud prevention policy, and establish a whistleblower mechanism to provide employees and stakeholders with a confidential means to report suspected fraud or misconduct.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within Santa Ynez River Valley Groundwater Basin Eastern Management Area Groundwater Sustainability Agency and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
July 23, 2026