

**SACRAMENTO CENTRAL GROUNDWATER  
AUTHORITY**

**A Joint Powers Authority**

Sacramento, California

Independent Auditors' Report,  
Management's Discussion and Analysis,  
Basic Financial Statements and  
Required Supplementary Information

**For the Fiscal Year Ended June 30, 2015**

**Sacramento Central Groundwater Authority**

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For the Fiscal Year Ended June 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sacramento Central Groundwater Authority  
Sacramento, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Sacramento Central Groundwater Authority (Groundwater Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Groundwater Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Groundwater Authority, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 19–20 be presented to supplement the basic financial statements. Such information, 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 March 25, 2016, on our consideration of the Groundwater Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Groundwater Authority's internal control over financial reporting and compliance.

*Vavinek, Trine, Day & Co LLP*

Sacramento, California  
March 25, 2016

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

This section of Sacramento Central Groundwater Authority's (Groundwater Authority) annual financial statements presents a discussion and analysis of the Groundwater Authority's financial performance during the year ended June 30, 2015. Please read it in conjunction with the Groundwater Authority's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- As of June 30, 2015 the Groundwater Authority's general fund reported a fund balance of \$877,882.
- The increase in total net position in Fiscal Year 2014-15 was attributable to member contributions received exceeding costs incurred during the year for agricultural water demand updates, basin management, and other groundwater management services.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Groundwater Authority's basic financial statements. The Groundwater Authority's basic financial statements are comprised of three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of the Groundwater Authority's finances in a manner similar to private-sector businesses.

The *Statement of Net Position* presents information on all Groundwater Authority assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Groundwater Authority is improving or declining.

The *Statement of Activities* shows changes in net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., warrants payable).

The purpose of both of these government-wide financial statements is to distinguish functions of the Groundwater Authority that are principally supported by grants and other intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). However, the Groundwater Authority does not have business-type activities. The governmental activities of the Groundwater Authority consist of groundwater protection and preservation.

The government-wide financial statements can be found on pages 8 through 9 of this report.

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2015**

**Fund Financial Statements** are groupings of related accounts that are used to control resources that have been segregated for specific activities or objectives. The Groundwater Authority, like other states and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. However, the Groundwater Authority only has *governmental funds* and does not have *proprietary funds* or *fiduciary funds*.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Groundwater Authority's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The governmental funds financial statements can be found on pages 10 through 11 of this report.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found starting on page 12 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Groundwater Authority is improving or declining.

**Statement of Net Position  
Governmental Activities  
June 30, 2015**

	2015	2014	Increase / (Decrease)	
			Amount	Percentage
Total current assets	\$ 939,152	\$ 863,263	\$ 75,889	8.8%
Current and other liabilities	51,279	29,149	22,130	75.9%
Net position Unrestricted	\$ 887,873	\$ 834,114	\$ 53,759	6.4%

At the end of the current fiscal year, the Groundwater Authority reported a balance of \$877,873 in *net position*. The increase in net position is primarily due to contributions exceeding operating expenses

**Sacramento Central Groundwater Authority**  
**Management's Discussion and Analysis (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

The following table indicates the changes in net position for the Groundwater Authority's governmental activities:

**Statement of Activities**  
Year Ended June 30,

	2015	2014	Increase / (Decrease)	
			Amount	Percentage
<b>Revenues:</b>				
<b>Program revenues:</b>				
Contributions	\$ 236,962	\$ 244,222	\$ (7,260)	-3.0%
State Grants	192,353	7,471	184,882	0.0%
<b>General revenues:</b>				
Interest	2,280	864	1,416	163.9%
<b>Total revenues</b>	<u>431,595</u>	<u>252,557</u>	<u>179,038</u>	<u>70.9%</u>
<b>Expenses:</b>				
Groundwater protection and preservation	377,836	257,089	120,747	47.0%
<b>Total expenses</b>	<u>377,836</u>	<u>257,089</u>	<u>120,747</u>	<u>47.0%</u>
Change in net assets	53,759	(4,532)	58,291	-1286.2%
Net position, July 1	834,114	838,646	(4,532)	-0.5%
Net position, June 30	<u>\$ 887,873</u>	<u>\$ 834,114</u>	<u>\$ 53,759</u>	<u>6.4%</u>

The increase in groundwater protection and preservation expenditures was attributable to costs incurred on agricultural water demand updates, basin management objective threshold development costs and recharge mapping costs.

**FINANCIAL ANALYSIS OF THE GROUNDWATER AUTHORITY'S FUNDS**

As noted earlier, the Groundwater Authority uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Groundwater Authority's general fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Groundwater Authority's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015, the Groundwater Authority's general fund reported a fund balance of \$877,882.



**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2015**

The following table presents the amount of revenues from various sources.

**Revenues Classified by Source  
Governmental Funds**

Revenues by Source	FY 2015		FY 2014		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Contributions	\$ 236,962	55.2%	\$ 244,222	99.6%	\$ (7,260)	-3.0%
State Grant Revenue	189,833	100.0%	-	100.0%	189,833	100.0%
Interest	2,280	44.8%	864	0.4%	1,416	163.9%
<b>Total</b>	<b>\$ 429,075</b>	<b>100.0%</b>	<b>\$ 245,086</b>	<b>100.0%</b>	<b>\$ 183,989</b>	<b>75.1%</b>

Contributions revenue decreased due to a reduction of the amount of groundwater pumped from the basin. State grant revenue increased due to amounts received in reimbursement of costs incurred on agricultural water demand updates, basin management objective threshold development and recharge mapping.

The following table presents expenditures by object class.

**Expenditures by Object Class  
Governmental Funds**

Expenditures by Object Class	FY 2015		FY 2014		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Office supplies	\$ 6,848	4.3%	\$ 6,638	3.9%	\$ 210	0.0%
Professional services and fees	210,133	55.6%	79,176	30.8%	130,957	165.4%
County engineering and administrative services	160,855	42.6%	171,275	66.6%	(10,420)	(6.1%)
<b>Total</b>	<b>\$ 377,836</b>	<b>100.0%</b>	<b>\$ 257,089</b>	<b>100.0%</b>	<b>\$ 120,747</b>	<b>47.0%</b>

The increase in expenditures was mainly attributable costs incurred on agricultural water demand updates, basin management objective threshold development costs and recharge mapping costs.

**General Fund Budgetary Highlights**

The fiscal year 2014-2015 Final Budget was adopted by the Groundwater Authority's Board of Directors on May 14, 2014.

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2015**

**General Fund Budgetary Highlights (Continued)**

Other Professional Fees increased due to engineering costs being incurred on agricultural water demand updates, basin management objective threshold development and recharge mapping costs. While Other Professional Fees increased for the fiscal year 2014-15, the budget variance remains favorable.

Water Resources Services decreased slightly due to consultants performing services on research and mapping projects being undertaken during the prior year. While Water Resources Services decreased for the fiscal year 2014-15, the budget variance remains favorable.

**Economic Factors and Next Year's Budget**

The fiscal year 2015-2016 Final Budget was adopted by the Groundwater Authority's Board of Directors on May 13, 2015.

The proposed means of financing the \$630,800 in budgeted expenditures for fiscal year 2014-15 includes member contributions totaling \$210,423 and AB303 grant proceeds in the amount of \$29,000. The remaining expenditures will be paid with residual balances in the fund.

**Request for Information**

This financial report is designed to provide a general overview of the Groundwater Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Susan R. Purdin, CPA, Chief Financial & Administrative Officer, Sacramento County Department of Water Resources, 827 7<sup>th</sup> Street, Room 301, Sacramento, California 95814.

**Sacramento Central Groundwater Authority**  
**Statement of Net Position – Governmental Activities**  
**June 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 827,031
Grants receivable	108,229
Prepaid insurance	1,612
Interest receivable from Sacramento County	2,280
Total Assets	939,152
<b>LIABILITIES</b>	
Warrants payable and accounts payable	51,279
<b>NET POSITION</b>	
Unrestricted	\$ 887,873

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority**  
**Statement of Activities – Governmental Activities**  
**Year Ended June 30, 2015**

	Expenses	Program Revenues Operating Grants and Contributions	Net Revenue / (Expense) and Change in Net Position
<b>FUNCTIONS/PROGRAMS</b>			
Groundwater protection and preservation	\$ 377,836	\$ 429,315	\$ 51,479
General revenues:			
Interest and other income			2,280
Change in Net Position			\$ 53,759
Net Position, July 1			834,114
Net Position, June 30			\$ 887,873

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2015**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and investments	\$ 827,031
Grants receivable	108,229
Prepaid insurance	1,612
Interest receivable from Sacramento County	2,280
Total Assets	<u>\$ 939,152</u>
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	
<b>LIABILITIES:</b>	
Warrants payable and accounts payable	51,279
 <b>DEFERRED INFLOWS:</b>	
Unavailable revenue	9,991
 <b>FUND BALANCE:</b>	
Nonspendable	1,612
Unassigned	876,270
Total Fund Balance	877,882
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 939,152</u>

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total Fund Balance	\$ 877,882
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues earned but unavailable are not reported in the governmental funds	9,991
Net position of governmental activities	<u>\$ 887,873</u>

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2015**

	<b>General Fund</b>
<b>REVENUES:</b>	
Contributions	\$ 236,962
State grant revenue	189,833
Interest	2,280
Total Revenues	429,075
<b>EXPENDITURES:</b>	
Current:	
Office supplies	6,848
Professional services and fees	210,133
County engineering and administrative services	160,855
Total Expenditures	377,836
Excess / (Deficiency) of Revenues Over / (Under) Expenditures and Changes in Fund Balance	51,239
Fund Balance - Beginning	826,643
Fund Balance - Ending	\$ 877,882
 Reconciliation of the Net Change in Fund Balances - Governmental Fund to the Statement of Activities	
Change in Fund Balance	\$ 51,239
Some revenues reported in the prior year Statement of Activities did not provide for the use of current financial resources and were not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.	2,520
Change in net position, governmental activities	\$ 53,759

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Authorized Legislation and Organization

The Sacramento Central Groundwater Authority (Groundwater Authority), which was created effective August 29, 2006, pursuant to Section 6500 of the California State Government Code and the provisions of a Joint Exercise of Powers Agreement, is a political subdivision of the State of California. The Groundwater Authority is a jointly governed organization under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No.14 and No.34*. Parties to this agreement are the City of Elk Grove, City of Folsom, City of Rancho Cordova, City of Sacramento, County of Sacramento, Sacramento Regional County Sanitation District, Florin Resource Conservation District/Elk Grove Water Service, Omochumne-Hartnell Water District, and Rancho Murieta Community Services District. The Groundwater Authority was formed to maintain the long-term sustainable yield of the Central Basin; ensure implementation of the Basin Management Objectives prescribed in the Groundwater Management Plan; oversee the operation of a Well Protection Program; manage the use of groundwater in the Central Basin and facilitate implementation of an appropriate conjunctive use program by water purveyors; coordinate efforts among those entities represented on the governing body of the Authority to devise and implement strategies to safeguard groundwater quality; and to work collaboratively with other entities in order to promote coordination of water policies and activities throughout the region. The Groundwater Authority is governed by a Board of Directors, which consists of sixteen members. Representation includes a Board member from nine public agencies, two private water purveyors, one representative of agricultural interests, one representative of agriculture-residential groundwater users, one representative of commercial/industrial self-supplied groundwater users, one representative of conservation landowners, and one representative of public agencies that are self-supplied groundwater users. The County of Sacramento is responsible for the Treasurer and Controller functions of the Groundwater Authority.

Basis of Presentation

*Government-wide Financial Statements*

The statement of net position and statement of activities display information about the primary government (Groundwater Authority).

The statement of activities presents direct expenses and program revenues for each function of the Groundwater Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation (Continued)

*Government-wide Financial Statements (Continued)*

Program revenues include grants and contributions that are intended to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including interest income, are presented instead as general revenues.

When both restricted and unrestricted resources are available, restricted resources are used first, then unrestricted resources as needed.

*Fund Financial Statements*

The fund financial statements provide information about the Groundwater Authority's funds, which include only *governmental funds*.

The Groundwater Authority reports the following major governmental fund:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Groundwater Authority.

In accordance with GASB 65, grants receivable not meeting the definition of available were removed from revenue in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and reported as a Deferred Inflow of Resources in the Governmental Fund Balance Sheet.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Groundwater Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and contributions. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.



**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered measurable and available when their receipt occurs within sixty days after the end of the accounting period.

Contribution Revenue

Each member of the Groundwater Authority contributes annually based on various formulas set forth in the Joint Powers Agreement. Budgeting for each fiscal year is based on the amount to be received from these contributions. Contributions are payable in annual installments within 30 days of receipt of billing.

Fund Balance

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Groundwater Authority's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Groundwater Authority's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Only the Board has the authority to assign unassigned fund balance amounts where the Groundwater Authority's intent is for those amounts to be used for specific purposes.

The Board of Directors, as the highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period; but the amount, if any, which will be subject to the constraint, may be determined at a subsequent period.

Minimum Fund Balance Policy

The Groundwater Authority is required to budget for and maintain a 20% operating reserve. This is an ongoing reserve with the purpose of assuring adequate funds are available for operations pending the receipt of annual contributions from member agencies. The policy requires unassigned fund balance to be at least equal to 20% of budgeted expenditures.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Investments

Pursuant to the Joint Exercise of Powers Agreement, the Treasurer of the County of Sacramento (County) has custody of all cash for the Groundwater Authority. The Groundwater Authority's share of the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned at the end of each quarter based upon the relationship of its daily cash balance to the total of the pooled account. The value of the Groundwater Authority's shares in the pools is determined on an amortized cost basis, which approximates fair market value.

**NOTE 2 – CASH AND INVESTMENTS**

The Groundwater Authority's cash and investment are held in the County Treasurer's pool. The County Treasurer's pool is not rated by credit rating agencies. At June 30, 2015, the Groundwater Authority's cash and investments held in the County Treasurer's pool totaled \$827,031. Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in Note 4 of the County's basic financial statements. The Groundwater Authority has not formally adopted an investment policy that addresses any of the risks previously noted.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

The Groundwater Authority uses County of Sacramento departments for other services, such as engineering, administrative, accounting, etc. Expenditures paid to the County of Sacramento during the year were \$160,855.

**NOTE 4 – RISK MANAGEMENT**

SCGA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SCGA reports all of its risk management activities in its General Fund. SCGA purchases commercial insurance for property damage and liability through an insurance agent, who obtains the appropriate insurance coverage needed by SCGA from insurance companies.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 4 – RISK MANAGEMENT (Continued)**

SCGA deductibles and maximum coverage follows:

Coverage	Limits	Deductibles/SIR	Carrier	Effective Date	Policy Number or Memorandum Number
General Liability, Automotive, Public Officials Errors and Omissions	\$5,000,000 Each Occurrence and Aggregate \$1,000,000 Damage to Rented Premises	\$1,000	Alliant Insurance Services, Inc.	9/29/2014– 9/29/2015	PAC 1000001 02

Since the inception of the policy in September 2013, there were no instances of settlements which exceeded insurance coverage. There have been no significant reductions in insurance coverage.

**NOTE 5 – FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards, any of which may have a significant impact on the Groundwater Authority's financial reporting process. Future new standards which may impact the Groundwater Authority include the following:

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. The Authority has not determined the effect, if any, on the financial statements.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 5 – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)**

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, for pension plans and pensions that are within their respective scopes. This statement is effective for periods beginning after June 15, 2016. The Authority has not determined the effect, if any, on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. The Authority has not determined the effect, if any, on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. The Authority has not determined the effect, if any, on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for periods beginning after June 15, 2015. The Authority has not determined the effect, if any, on the financial statements.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 5 – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)**

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The Authority has not determined the effect, if any, on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state of local governmental employers whose employees are provided with such pensions. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The Authority has not determined the effect, if any, on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015. The Authority has not determined the effect, if any, on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Authority has not determined the effect, if any, on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**Sacramento Central Groundwater Authority**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**General Fund**

	Budgeted amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Contributions	\$ 236,961	\$ 236,961	\$ 236,962	\$ 1
State grant revenue	199,824	199,824	189,833	(9,991)
Interest	-	-	2,280	2,280
<b>Total Revenues</b>	<b>436,785</b>	<b>436,785</b>	<b>429,075</b>	<b>(7,710)</b>
<b>EXPENDITURES:</b>				
Current:				
Groundwater Protection and Preservation:				
Business / conferences	1,000	1,000	-	1,000
Education & training	-	-	405	(405)
Insurance - Liability	6,000	6,000	6,365	(365)
Office supplies	400	400	78	322
Printing services	1,000	1,000	-	1,000
Accounting services	8,870	8,870	6,000	2,870
Legal services	5,000	5,000	2,708	2,292
Other professional services	625,000	625,000	203,475	421,525
GS contract management serv	675	675	657	18
Administrative services	1,325	1,325	392	933
Water Resources services	182,900	182,900	157,756	25,144
<b>Total Expenditures</b>	<b>832,170</b>	<b>832,170</b>	<b>377,836</b>	<b>454,334</b>
Excess / (Deficiency) of Revenues				
Over / (Under) Expenditures	(395,385)	(395,385)	51,239	446,624
<b>NET CHANGE IN FUND BALANCE</b>	<b>(395,385)</b>	<b>(395,385)</b>	<b>51,239</b>	<b>446,624</b>
FUND BALANCE, July 1	826,643	826,643	826,643	-
FUND BALANCE, June 30	<u>\$ 431,258</u>	<u>\$ 431,258</u>	<u>\$ 877,882</u>	<u>\$ 446,624</u>

See accompanying note to the required supplementary information



**Sacramento Central Groundwater Authority**  
**Note to Required Supplementary Information**  
**For the Year Ended June 30, 2015**

**Budget and Budgetary Accounting**

Sacramento Central Groundwater Authority prepares and legally adopts a final budget on or before June 30 of each fiscal year. Sacramento Central Groundwater Authority's operation, commencing July 1<sup>st</sup>, is governed by the proposed budget, adopted by the Groundwater Authority Board of Directors by June of the prior fiscal year.

After the budget is approved, modifications can only be made after consideration and approval by the Groundwater Authority Board of Directors. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Sacramento Central Groundwater Authority board.

The Executive Director prepares and submits a proposed budget to the Board of Directors no later than the last regularly scheduled meeting before the commencement of the ensuing fiscal year. After reviewing the proposed budget and making such revisions as it may deem advisable, a final budget is prepared and adopted no later than the June board meeting. Budgetary control is at the fund and object levels.

An operating budget is adopted each year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Unencumbered appropriations lapse at year-end.

**OTHER REPORTS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Sacramento Central Groundwater Authority  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Sacramento Central Groundwater Authority (Groundwater Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Groundwater Authority's basic financial statements, and have issued our report thereon dated March 25, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Groundwater Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Groundwater Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Groundwater Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency.

## Compliance and Other Matters

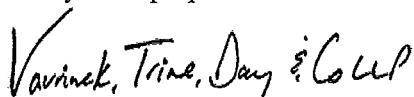
As part of obtaining reasonable assurance about whether the Groundwater Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

### Groundwater Authority's Response to Findings

The Groundwater Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Groundwater Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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.



Sacramento, California  
March 25, 2016

**Sacramento Central Groundwater Authority  
Schedule of Findings and Responses  
For the Year Ended June 30, 2015**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001**

**Form 700- Statement of Economic Interest Filing Noncompliance**

**Criteria:**

The Political Reform Act (PRA) of 1974, Government Code sections 81000 – 91014, requires many state and local public officials and employees to disclose certain personal financial holdings. The Authority’s Board-approved Conflict of Interest Code specifies the designated positions and corresponding disclosure categories related to conflict of interest. According to the Code, member of the Board of Directors and the Executive Director are considered designated employees and are deemed to make, or participate in the making of, decisions which may foreseeably have a material effect on financial interests. These employees and officers shall disclose interest and investments in accordance with the corresponding disclosure categories defined as:

1. Investments and business positions in business entities, and sources of income, which provide services, supplies, materials, machinery or equipment of the type utilized by the Authority.
2. All interests in real property in the Authority. All investments and business positions in any business entity and income from any source which is (1) a private water company; or (2) an entity or person engaged in real estate development or an owner of real property.

The Statement of Economic Interest, also known as Form 700, is the form that is used to ensure that any material related party transactions are discovered and properly disclosed in the financial statements to avoid the actual occurrence or appearance of a conflict of interest of the Executive Director, Board Members and their alternates.

**Condition:**

*Significant Deficiency, Instance of Noncompliance* – It was observed during the course of our related party and conflict of interest disclosure testing, 3 Board Members did not submit a Form 700.

**Context:**

The condition noted above was identified as a result related party and conflict of interest disclosure compliance testing conducted during fieldwork.

**Cause:**

The Authority did not have procedures in place to enforce the filing of Form 700.

**Sacramento Central Groundwater Authority  
Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2015**

**FINANCIAL STATEMENT FINDINGS**

**Effect:**

The condition described above results in noncompliance of designated employees with the Authority's Conflict of Interest Code.

**Recommendation:**

We recommend during each reporting cycle, the Authority monitor filings for compliance.

**Views of Responsible Officials and Planned Corrective Action:**

By March 1 of each year, the filing officer will inform all applicable officials of their filing obligation for the Statement of Economic Interests (Form 700) as required by the Fair Political Practices Commission (FPPC). Communication will be made by email which will contain instructions of the April 1 filing deadline, a PDF of the Form 700 and instructions, and an offer to provide hard copies of the form and instructions if requested. As statements are received, the filing officer will maintain a list of those in compliance. For those not in compliance, a separate log will also be maintained.

Failure to file a Form 700 by each statutory deadline will result in the following notifications and potential consequences:

First Non-Filer Notice

Within 30 days after the filing deadline (before May 1), a reminder will be sent to the individual expressing the urgency of the filing requirement along with a new PDF of the form and instructions as well as an offer to provide hard copies of the form and instructions if requested. Communication will be in the form of an email.

Second Non-Filer Notice

Within 60 days after the original filing deadline (before June 1), a second reminder will be sent to the individual expressing both the urgency of the filing requirement and the imminent consequence of failing to meet the filing requirement within the next 30 days. Communication will be in the form of an email and a mailed letter.

Enforcement Referral

Within 90 days after the original filing deadline (before July 1), the violation will be referred to the FPPC using the "Statement of Economic Interests Form 700 Non-Filer Enforcement Referral" form which is available on the FPPC website.

The non-filer log maintained by the filing officer will contain documentation of each notification, the date notifications were made, and the method of notification used. This log will be submitted to the FPPC with the Enforcement Referral form in the event a non-filing referral is made to them.