

**SACRAMENTO CENTRAL
GROUNDWATER AUTHORITY**

A Joint Powers Authority

Sacramento, California

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

For the Fiscal Year Ended June 30, 2021



Certified
Public
Accountants

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
 Independent Auditor’s Report, Management’s Discussion and Analysis,
 Basic Financial Statements and Required Supplementary Information
 For the Fiscal Year Ended June 30, 2021

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Independent Auditor's Report

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 the Sacramento Central Groundwater Authority (Groundwater Authority), as of and for the fiscal year ended June 30, 2021, 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.

Auditor's 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 the 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, 2021, and the respective changes in financial position for the fiscal 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, as listed in the table of contents, 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 November 24, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Groundwater Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Groundwater Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
November 24, 2021

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

This section of the Sacramento Central Groundwater Authority's (Groundwater Authority) annual financial statements presents a discussion and analysis of the Groundwater Authority's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the Groundwater Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- As of June 30, 2021, the Groundwater Authority's governmental activities and general fund reported net position and fund balance of \$(72,887).
- The decrease in total net position and fund balance of \$500,348 in Fiscal Year 2020-21 is attributable to increasing costs incurred during the year for agricultural water demand updates, basin management, and other groundwater 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 report the functions of the Groundwater Authority that are principally supported by operating grants and contributions (*governmental activities*). The government-wide statements focus is long-term; however, the Groundwater Authority does not currently own any long-term assets or have long-term liabilities.

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, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. As stated previously, the Groundwater Authority has only one *governmental fund*, the General Fund.

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.

The governmental fund 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, can be found on pages 12-17 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, 2021**

	<u>2021</u>	<u>2020</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
Total assets	<u>\$ 1,017,286</u>	<u>\$ 602,575</u>	<u>\$ 414,711</u>	<u>68.8%</u>
Total liabilities	<u>1,090,173</u>	<u>175,114</u>	<u>915,059</u>	<u>522.6%</u>
Net position - unrestricted (deficit)	<u>\$ (72,887)</u>	<u>\$ 427,461</u>	<u>\$ (500,348)</u>	<u>-117.1%</u>

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Management's Discussion and Analysis (Continued)

For the Fiscal Year Ended June 30, 2021

At the end of the current fiscal year, the Groundwater Authority reported a balance of \$(72,887) in *net position*. The decrease in net position is primarily due to an increase in expenses for Groundwater protection and preservation as detailed below.

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

**Statement of Activities
Governmental Activities**
For the Fiscal Year Ended June 30, 2021

	2021	2020	Increase / (Decrease)	
			Amount	Percentage
Revenues:				
Program revenues:				
Contributions	\$ 1,236,539	\$ 873,499	\$ 363,040	41.6%
State Grants	1,050,407	-	1,050,407	100.0%
General revenues:				
Interest	4,915	18,301	(13,386)	-73.1%
Total revenues	2,291,861	891,800	1,400,061	157.0%
Expenses:				
Groundwater protection and preservation	2,792,209	975,076	1,817,133	186.4%
Change in net position	(500,348)	(83,276)	(417,072)	-500.8%
Net position, July 1	427,461	510,737		
Net position, June 30	\$ (72,887)	\$ 427,461		

The increase in program revenues is attributable to the Sustainable Groundwater Management Grant from the California Department of Water Resources for Fiscal Year 2020-21. The increase in expenses is attributable to an increase in professional services for development of a Groundwater Sustainability Plan for the South American Sub-basin.

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, 2021, the Groundwater Authority's general fund reported an unassigned fund balance (deficit) of \$(72,887).

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2021

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

**Revenues Classified by Source
Governmental Funds**

Revenues by Source	FY 2021		FY 2020		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Contributions	\$ 1,236,539	54.0%	\$ 873,499	97.9%	\$ 363,040	41.6%
State Grant Revenue	1,050,407	45.8%	-	0.0%	1,050,407	100.0%
Interest	4,915	0.2%	18,301	2.1%	(13,386)	-73.1%
Total	\$ 2,291,861	100.0%	\$ 891,800	100.0%	\$ 1,400,061	157.0%

Contributions revenue increased due to an increase in "Connection" contribution revenue in the amount of \$363,040. The Groundwater Authority recognized grant revenue in the amount of \$1,050,407 for the Groundwater Sustainability plan from the California Department of Water Resources.

The following table presents expenditures by object class.

**Expenditures by Object Class
Governmental Funds**

Expenditures by Object Class	FY 2021		FY 2020		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
County services	\$ 472,420	16.9%	\$ 558,534	57.3%	\$ (86,114)	(15.4%)
Professional services and fees	2,312,351	82.8%	409,516	42.0%	1,902,835	464.7%
Insurance	7,438	0.3%	7,026	0.7%	412	5.9%
Total	\$ 2,792,209	100.0%	\$ 975,076	100.0%	\$ 1,817,133	186.4%

The increase in expenditures is explained on page 5 of this report.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Management's Discussion and Analysis (Continued)

For the Fiscal Year Ended June 30, 2021

General Fund Budgetary Highlights

The Fiscal Year 2020-21 Final Budget was adopted by the Groundwater Authority's Board of Directors on May 13, 2020.

There were no changes between the Original Budget and the Final Budget for Fiscal Year 2020-21.

The Groundwater Authority budget is based off of actual costs incurred in the prior year, and incurred less than anticipated total expenditures by \$256,953 in Fiscal Year 2020-21. This was mainly attributable to less than anticipated actual costs incurred in professional services and fees by \$390,635 offset by higher than expected actual costs incurred for County services in the amount of \$132,744 in Fiscal Year 2020-21.

Economic Factors and Next Year's Budget

The Fiscal Year 2021-22 Final Budget was adopted by the Groundwater Authority's Board of Directors on May 12, 2021.

The proposed means of financing the \$1,391,326 in budgeted expenditures for Fiscal Year 2021-22 includes member contributions totaling \$295,816, contributions from State grants and other agencies of \$1,089,510, and interest income of \$6,000.

An approved flat per parcel fee and a charge per parcel fee was approved by the Board of Directors subsequent to adopting the Fiscal Year 2021-22 Final Budget. The revenue generated from these fees will be approximately \$178,000 annually.

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 Herman T. Williams, CPA, Chief Financial & Administrative Officer, Sacramento County Department of Water Resources, 827 7th Street, Room 301, Sacramento, CA 95814.

BASIC FINANCIAL STATEMENTS

Sacramento Central Groundwater Authority
Statement of Net Position - Governmental Activities
June 30, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 746,477
Grants receivable	269,227
Interest receivable	1,582
Total Assets	1,017,286
LIABILITIES	
Warrants and accounts payable	527,771
Unearned revenue	562,402
Total Liabilities	1,090,173
NET POSITION	
Unrestricted (deficit)	\$ (72,887)

Sacramento Central Groundwater Authority
Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2021

FUNCTION/PROGRAM	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue / (Expense) and Change in Net Position</u>
Groundwater protection and preservation	\$ 2,792,209	\$ 2,286,946	\$ (505,263)
General revenues:			
Interest and other income			4,915
Change in net position			(500,348)
Net position, July 1			427,461
Net position (deficit), June 30			\$ (72,887)

Sacramento Central Groundwater Authority

Balance Sheet

General Fund

June 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 746,477
Grant receivable	269,227
Interest receivable	1,582
	<hr/>
Total assets	\$ 1,017,286
	<hr/> <hr/>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Warrants and accounts payable	\$ 527,771
Unearned revenue	562,402
	<hr/>
Total liabilities	1,090,173
	<hr/>
FUND BALANCE	
Unassigned (deficit)	(72,887)
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Total liabilities and fund balance	\$ 1,017,286
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See accompanying notes to the basic financial statements.

Sacramento Central Groundwater Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Fiscal Year Ended June 30, 2021

	General Fund
REVENUES	
Contributions	\$ 1,236,539
Intergovernmental - State grant revenue	1,050,407
Interest	4,915
Total revenues	2,291,861
EXPENDITURES	
Current:	
Groundwater Protection and Preservation:	
County services	472,420
Professional services and fees	2,312,351
Insurance	7,438
Total expenditures	2,792,209
Net change in fund balance	(500,348)
Fund balance - beginning	427,461
Fund balance (deficit) - ending	\$ (72,887)

See accompanying notes to the basic financial statements.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 District, 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 Groundwater 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 the groundwater protection and preservation 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.

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.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the Groundwater Authority's General Fund which is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the Groundwater Authority.

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 member contributions.

The General Fund is 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. Non-grant revenues are considered measurable and available when their receipt occurs within sixty days after the end of the accounting period. For grant revenues, the period of availability is 120 days.

Due to the nature of the Groundwater Authority's activities and operations, the accompanying basic financial statements do not present a reconciliation of the fund financial statements with the government-wide financial statements because there are no transactions treated differently under the differing basis of accounting used for the presentation of the fund and government-wide financial statements.

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 fund balance amounts where the Groundwater Authority's intent is for those amounts to be used for specific purposes.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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.

Fair Value Measurement

The Groundwater Authority categorizes the fair value measurements of its investments based on the hierarchy established by accounting principles generally accepted in the United States of American (GAAP). The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 2 – CASH AND INVESTMENTS

The Groundwater Authority's cash and investments are held in the County Treasurer's investment pool (Pool). The County Treasurer's pool is not rated by credit rating agencies. At June 30, 2021, the Groundwater Authority's cash and investments held in the County Treasurer's pool totaled \$746,477. 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. However, since the Authority's investments are entirely in the Pool, the Groundwater Authority follows the County's investment policy.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Groundwater Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of cost and not fair value.

Accordingly, the measurement of fair value of the Groundwater Authority’s proportionate share of investments in the County Pool at June 30, 2021 of \$746,477 is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

NOTE 3 – RISK MANAGEMENT

The Groundwater Authority 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. The Groundwater Authority reports all of its risk management activities in its General Fund. The Groundwater Authority purchases commercial insurance for property damage and liability through an insurance agent, who obtains the appropriate insurance coverage needed by the Groundwater Authority from insurance companies.

Groundwater Authority’s 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.	9/29/2020– 9/29/2021	PAC 214510003

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

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 4 – RELATED PARTY TRANSACTIONS

The Groundwater Authority uses County of Sacramento departments for other services, such as engineering, administrative, and legal counsel. Expenditures paid to the County of Sacramento during the year were \$472,420.

Engineering	\$ 341,958
Administrative	44,027
County Counsel	86,435
Total	<u>\$ 472,420</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of operations, the Groundwater Authority is subject to claims and litigation from outside parties. The Groundwater Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition and does not anticipate a material effect on the June 30, 2021 financial statements.

NOTE 6 – UNEARNED REVENUE

The Groundwater Authority reports funds received in advance resulting from FY 21/22 invoices sent out for voluntary payment of contributions. The intent was to encourage members to remit all or part of their following fiscal year's contribution, to the extent they are able by May of 2021.

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021, or the 2021-2022 fiscal year, as postponed by GASB Statement No. 95. The Groundwater Authority has determined that there is no effect of this Statement on its financial statements.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

In August 2018, GASB issued Statement No. 90, *Major Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after June 15, 2021, or the 2021-2022 fiscal year, as postponed by GASB Statement No. 95. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December, 2021, or the 2022-2023 fiscal year, as postponed by GASB Statement No. 95. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-03, *Leases*, for interim financial reports; (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; (3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; (4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisitions; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and (8) terminology used to refer to derivative instruments. This Statement is effective for reporting periods beginning after June 15, 2021, or the 2021-2022 fiscal year, as postponed by GASB Statement No. 95. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). The removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021, or the 2022-2023 fiscal year. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The effective date of this Statement was postponed to reporting periods ending after December 31, 2022 and effective for reporting periods beginning after June 15, 2021, or the 2021-2022 fiscal year, as postponed by GASB Statement No. 95. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022, or the 2022-2023 fiscal year. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement is effective June 15, 2022, or the 2022-2023 fiscal year. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

In June 2020, GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for reporting periods beginning after June 15, 2021, or the 2021-2022 fiscal year. The Groundwater Authority has determined there will be no effect of this Statement on its financial statements.

NOTE 8 – COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economics, and financial markets globally. Due to the nature of the Authority's operations, there was no impact from COVID-19 on the Authority's financial statements, nor is it anticipated to impact the Groundwater Authority in the future.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2021

NOTE 9 – SUBSEQUENT EVENTS

On June 22, 2021 the Groundwater Authority Board of Directors approved the adoption of a flat per parcel fee and a charge per acre-foot of groundwater use. The proposed fees are the result of a detailed budget analysis and an independent professional study prepared to determine the appropriateness of the Groundwater Authority's fee amounts. The revenue from the approved fees will be approximately \$178,000 annually, starting in fiscal year 2021/22.

REQUIRED SUPPLEMENTARY INFORMATION

Sacramento Central Groundwater Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2021
General Fund

	Budgeted amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Contributions	\$ 1,236,539	\$ 1,236,539	\$ 1,236,539	\$ -
Interest	6,001	6,001	4,915	(1,086)
Intergovernmental	1,363,251	1,363,251	1,050,407	(312,844)
Total Revenues	<u>2,605,791</u>	<u>2,605,791</u>	<u>2,291,861</u>	<u>(313,930)</u>
EXPENDITURES				
Current:				
Groundwater Protection and Preservation:				
County services	339,678	339,678	472,420	(132,742)
Professional services and fees	2,702,985	2,702,985	2,312,351	390,634
Insurance	<u>6,500</u>	<u>6,500</u>	<u>7,438</u>	<u>(938)</u>
Total Expenditures	<u>3,049,163</u>	<u>3,049,163</u>	<u>2,792,209</u>	<u>256,954</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(443,372)</u>	<u>(443,372)</u>	<u>(500,348)</u>	<u>(56,976)</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	(443,372)	(443,372)	(500,348)	(56,976)
FUND BALANCE, July 1	427,461	427,461	427,461	-
FUND BALANCE, June 30	<u>\$ (15,911)</u>	<u>\$ (15,911)</u>	<u>\$ (72,887)</u>	<u>\$ (56,976)</u>

See accompanying notes to the required supplementary information.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

Budget and Budgetary Accounting

The Groundwater Authority prepares and legally adopts a final budget on or before June 30 of each fiscal year. The Groundwater Authority's operations, commencing July 1st, 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 Groundwater Authority's 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 level. An operating budget is adopted each year on the modified accrual basis.

OTHER REPORT



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

Board of Directors
Sacramento Central Groundwater Authority
Sacramento, California

We have audited, 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, the financial statements of the governmental activities and the General Fund of Sacramento Central Groundwater Authority (Groundwater Authority) as of and for the fiscal year ended June 30, 2021, 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 November 24, 2021.

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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

Sacramento, California
November 24, 2021