

**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 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 (*Government Auditing Standards*), 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, 2023, 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 December 4, 2023.

**Report on 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 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

*Macias Gini & O'Connell LLP*

Sacramento, California  
December 4, 2023

**SACRAMENTO CENTRAL  
GROUNDWATER AUTHORITY**  
(A Joint Powers Authority)

Communication with the Board of Directors

June 30, 2023



Certified  
Public  
Accountants

December 4, 2023

Board of Directors  
Sacramento Central Groundwater Authority  
Sacramento, California

We are pleased to present this report related to our audit 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, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Groundwater Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Groundwater Authority, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Groundwater Authority.

*Macias Gini & O'Connell LLP*

Sacramento, California

## TABLE OF CONTENTS

Required Communications	2
Exhibit A—Recent Accounting Pronouncements	4

## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the Groundwater Authority's financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described in our engagement letter dated September 18, 2023. Our audit of the Groundwater Authority's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We conducted our audit consistent with the planned scope and timing in our engagement letter dated September 18, 2023.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by Groundwater Authority. The Groundwater Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### **Significant Accounting Policies**

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### **Significant Unusual Transactions**

We did not identify any significant unusual transactions.

#### **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are

particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We did not identify any estimates that were considered sensitive to the Groundwater Authority's financial statements.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Groundwater Authority's financial statements are disclosed in Note 4 to the Groundwater Authority's financial statements regarding related party transactions.

#### **Audit Adjustments and Uncorrected Misstatements**

In the course of the audit, no misstatements were identified.

#### **Observations About the Audit Process**

##### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the Groundwater Authority's financial statements.

##### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

##### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

##### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

##### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

##### **Shared Responsibilities for Independence**

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors, and MGO each play an important role.

## **Our Responsibilities**

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA's and the GAO's General Requirements for performing nonattest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

## **Groundwater Authority's Responsibilities**

- Timely inform MGO, before the effective date of transactions or other business changes, of the following:
  - New Directors, officers, or affiliates, as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020).
  - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making component unit determinations.
- Understand and conclude on the permissibility, prior to the Groundwater Authority and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
- Not entering into arrangements of nonattest services resulting in MGO being involved in making management decisions on behalf of the Groundwater Authority.
- Not entering into relationships resulting in MGO, MGO covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Groundwater Authority.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Groundwater Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

**EXHIBIT A**  
**Recent Accounting Pronouncements**

## ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by the Groundwater Authority.

Pronouncement	Summary
<p>GASB Statement No. 99, <i>Omnibus 2022</i></p>	<p>The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.</p> <p>The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for the Groundwater Authority’s fiscal year ending June 30, 2024.</p>
<p>GASB Statement No. 100, <i>Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62</i></p>	<p>The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.</p> <p>Statement No. 100 is effective for the Groundwater Authority’s fiscal year ending June 30, 2024.</p>
<p>GASB Statement No. 101, <i>Compensated Absences</i></p>	<p>The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.</p> <p>Statement No. 100 is effective for the Groundwater Authority’s fiscal year ending June 30, 2025.</p>

**SACRAMENTO CENTRAL  
GROUNDWATER AUTHORITY**  
(A Joint Powers Authority)

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

For the Fiscal Year Ended June 30, 2023

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
**(A Joint Powers Authority)**  
For the Fiscal Year Ended June 30, 2023

Table of Contents

	Page(s)
<b>Independent Auditor’s Report</b> .....	1-3
<b>Management’s Discussion and Analysis (Required Supplementary Information)</b> .....	4-8
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position—Governmental Activities .....	9
Statement of Activities—Governmental Activities .....	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	11
Statement of Revenues, Expenditures, and Change in Fund Balance.....	12
Notes to the Basic Financial Statements .....	13-17
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund.....	18
Note to Required Supplementary Information.....	19
<b>Other Report:</b>	
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 <i>Government Auditing Standards</i> .....	20-21



Certified  
Public  
Accountants

## Independent Auditor's Report

Board of Directors  
Sacramento Central Groundwater Authority  
Sacramento, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited 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, 2023, 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.

In our opinion, the accompanying 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, 2023, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Groundwater Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groundwater Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Groundwater Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 December 4, 2023, 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  
December 4, 2023

## SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

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, 2023. Please read it in conjunction with the Groundwater Authority's basic financial statements following this section.

### FINANCIAL HIGHLIGHTS

- As of June 30, 2023, the Groundwater Authority's governmental activities and general fund reported net position and fund balance of \$673,837.
- The increase in total net position and fund balance of \$292,435 in Fiscal Year 2022-23 is attributable to lower costs incurred for water resources services due to a staffing transition which took place during the fiscal year.

### 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 charges for services and 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 9 through 10 of this report.

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2023

**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 funds financial statements can be found on pages 11 through 12 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 13-17 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.

	<b>Statement of Net Position</b>			
	<b>Governmental Activities</b>			
	June 30, 2023 and 2022			
	2023	2022	Increase / (Decrease)	
			Amount	Percentage
Total current assets	\$ 829,321	\$ 470,971	\$ 358,350	76.1%
Total liabilities	155,484	89,569	65,915	73.6%
Net position - unrestricted	\$ 673,837	\$ 381,402	\$ 292,435	-76.7%

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2023

At the end of the current fiscal year, the Groundwater Authority reported a balance of \$673,837 in *net position*. The increase in net position is primarily due to a decrease 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 Years Ended June 30, 2023 and 2022

			Increase / (Decrease)	
	2023	2022	Amount	Percentage
Revenues:				
Program revenues:				
Contributions	\$ 854,228	\$ 753,816	\$ 100,412	13.3%
State Grants	97,069	670,045	(572,976)	-85.5%
Groundwater fee assessmentd	175,386	168,496	6,890	100.0%
General revenues:				
Interest	23,645	4,444	19,201	432.1%
Total revenues	<u>1,150,328</u>	<u>1,596,801</u>	<u>(446,473)</u>	-28.0%
Expenses:				
Groundwater protection and preservation	857,893	1,142,512	(284,619)	-24.9%
Change in net position	292,435	454,289	(161,854)	35.6%
Net position, July 1	<u>381,402</u>	<u>(72,887)</u>		
Net position, June 30	<u>\$ 673,837</u>	<u>\$ 381,402</u>		

The decrease in program revenues is attributable to a decrease in the Sustainable Groundwater Management Grant from the California Department of Water Resources for Fiscal Year 2022-23. The decrease in expenses is attributable to a decrease in County services due to a staffing transition, as well as due to the County providing a smaller scope of agreed-upon services at the engineering level.

**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, 2023, the Groundwater Authority's general fund reported a fund balance of \$673,837.

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2023

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

<b>Revenues Classified by Source</b>						
<b>Governmental Funds</b>						
<u>Revenues by Source</u>	FY 2023		FY 2022		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Contributions	\$ 854,228	74.3%	\$ 753,816	47.2%	\$ 100,412	13.3%
State Grant Revenue	97,069	8.4%	670,045	42.0%	(572,976)	-85.5%
Groundwater Fee						
Assessments	175,386	15.2%	168,496	10.5%	6,890	4.1%
Interest	23,645	2.1%	4,444	0.3%	19,201	432.1%
<b>Total</b>	<b>\$ 1,150,328</b>	<b>100.0%</b>	<b>\$ 1,596,801</b>	<b>100.0%</b>	<b>\$ (446,473)</b>	<b>-28.0%</b>

State grant revenue for the Sustainable Groundwater Management Program from the California Department of Water Resources decreased by \$572,976 in Fiscal Year 2022-23.

The following table presents expenditures by object class.

<b>Expenditures by Object Class</b>						
<b>Governmental Funds</b>						
<u>Expenditures by Object Class</u>	FY 2023		FY 2022		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
County services	\$ 115,201	13.4%	\$ 381,873	33.4%	\$ (266,672)	(69.8%)
Professional services and fees	733,647	85.5%	752,110	65.8%	(18,463)	(2.5%)
Insurance	9,045	1.1%	8,529	0.8%	516	6.0%
<b>Total</b>	<b>\$ 857,893</b>	<b>100.0%</b>	<b>\$ 1,142,512</b>	<b>100.0%</b>	<b>\$ (284,619)</b>	<b>(24.9%)</b>

The decrease in expenditures is explained on page 6 of this report.

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2023

**General Fund Budgetary Highlights**

The Fiscal Year 2022-23 Final Budget was adopted by the Groundwater Authority's Board of Directors on June 8, 2022.

There were no changes between the Original Budget and the Final Budget for Fiscal Year 2022-23.

The Groundwater Authority budget is based on actual costs incurred in the prior year. The Groundwater Authority incurred less than anticipated total expenditures by \$312,849 in Fiscal Year 2022-23. This was mainly attributable to less than anticipated actual costs incurred in legal services by \$122,743, as well as by less than anticipated other professional services and fees by \$104,400 in Fiscal Year 2022-23.

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

The Fiscal Year 2023-24 Final Budget was adopted by the Groundwater Authority's Board of Directors on June 14, 2023.

The proposed means of financing the \$1,210,137 in budgeted expenditures for Fiscal Year 2023-24 includes member contributions totaling \$764,503, Groundwater Sustainability Agency (GSA) contributions of \$55,000, reserve release of \$126,244, Sustainable Groundwater Management Act (SGMA) special assessment levy of \$180,753, and interest income of \$5,000. The remainder of budgeted expenditures will be covered by fund balance.

**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 Camelia Radulescu, CPA, Chief Financial & Administrative Officer, Sacramento County Department of Water Resources, 827 7<sup>th</sup> Street, Room 301, Sacramento, CA 95814.

**BASIC FINANCIAL STATEMENTS**

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Statement of Net Position - Governmental Activities  
June 30, 2023

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 705,051
Grants receivable	97,070
Accounts receivable	11,142
Interest receivable	16,058
Total Assets	<u>829,321</u>
<b>LIABILITIES</b>	
Warrants and accounts payable	<u>155,484</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 673,837</u>

See accompanying notes to the basic financial statements.

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Statement of Activities - Governmental Activities  
For the Fiscal Year Ended June 30, 2023

<b>FUNCTION/PROGRAM</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net Revenue / (Expense) and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
Groundwater protection and preservation	\$ 857,893	\$ 175,386	\$ 951,297	\$ 268,790
General revenues:				
Interest				23,645
Change in net position				292,435
Net position, July 1				381,402
Net position, June 30				\$ 673,837

See accompanying notes to the basic financial statements.

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**

Balance Sheet

General Fund

June 30, 2023

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 705,051
Grants receivable	97,070
Accounts receivable	11,142
Interest receivable	<u>16,058</u>
Total assets	<u><u>\$ 829,321</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Warrants and accounts payable	<u>\$ 155,484</u>
 <b>FUND BALANCE</b>	
Unassigned	<u>673,837</u>
Total liabilities and fund balance	<u><u>\$ 829,321</u></u>

See accompanying notes to the basic financial statements.

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Statement of Revenues, Expenditures and Change in Fund Balance  
General Fund  
For the Fiscal Year Ended June 30, 2023

	<b>General Fund</b>
<b>REVENUES</b>	
Contributions	\$ 854,228
Intergovernmental - State grant revenue	97,069
Groundwater fee assessments	175,386
Interest	23,645
-Total revenues	1,150,328
 <b>EXPENDITURES</b>	
Current:	
Groundwater Protection and Preservation:	
County services	115,201
Professional services and fees	733,647
Insurance	9,045
Total expenditures	857,893
Net change in fund balance	292,435
Fund balance - beginning	381,402
Fund balance - ending	\$ 673,837

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, 2023

### 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. Parties to this agreement are the City of Elk Grove, City of Folsom, City of Rancho Cordova, City of Sacramento, County of Sacramento, and the Sacramento Regional County Sanitation 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 (Board), which consists of fourteen members. Representation includes a Board member from seven 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, contributions, and groundwater fee assessments 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, 2023

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

#### Basis of Presentation *(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 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.

#### Contribution Revenue

Each member of the Groundwater Authority contributes annually based on various formulas set forth in the Joint Exercise of 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.

#### Groundwater Fee Assessment Revenue

In June 2021, the Groundwater Authority adopted a four-year program that requires property owners within the South American River Subbasin to pay an annual flat parcel and groundwater use fee. These fees are included on the property owner utility bills or billed through property tax rolls.

#### 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.

## SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Notes to the Basic Financial Statements *(Continued)*

For the Fiscal Year Ended June 30, 2023

### 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.

#### 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 at year-end.

#### 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 County Treasurer's pooled cash and investment pool (County Pool) 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 County Pool.

The value of the Groundwater Authority's shares in the County Pool 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 Pool. The County Pool is not rated by credit rating agencies. At June 30, 2023, the Groundwater Authority's cash and investments held in the County Pool totaled \$705,051. Additional information regarding the County Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in the notes to 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 Groundwater Authority's investments are entirely in the County 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, 2023

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The County Pool is subject to regulatory oversight by the Treasury Oversight Committee of the County, as required by Section 27134 of the California Government Code. The County Pool is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company.

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, 2023 of \$705,051 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:

<b>Coverage</b>	<b>Limits</b>	<b>Deductibles /SIR</b>	<b>Carrier</b>	<b>Effective Date</b>	<b>Policy Number or Memorandum Number</b>
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.	9/29/2022– 9/29/2023	PAC 214510005

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, 2023

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The Groundwater Authority engages the County of Sacramento for other services, such as engineering, administrative, and legal counsel. Expenditures paid to the County of Sacramento during the year were \$115,201.

Engineering	\$ 67,345
Administrative	43,406
County Counsel	<u>4,450</u>
Total	<u>\$ 115,201</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 do not anticipate any material effect on the June 30, 2023 financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**  
Schedule of Revenues, Expenditures and Change in Fund Balance  
Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Contributions	\$ 887,753	\$ 887,753	\$ 854,228	\$ (33,525)
Intergovernmental	-	-	97,069	97,069
Groundwater fee assessments	176,425	176,425	175,386	(1,039)
Interest	5,000	5,000	23,645	18,645
Total revenues	<u>1,069,178</u>	<u>1,069,178</u>	<u>1,150,328</u>	<u>81,150</u>
<b>EXPENDITURES</b>				
Current:				
Groundwater Protection and Preservation:				
County services	218,929	218,929	115,201	103,728
Professional services and fees	942,013	942,013	733,647	208,366
Insurance	9,800	9,800	9,045	755
Total expenditures	<u>1,170,742</u>	<u>1,170,742</u>	<u>857,893</u>	<u>312,849</u>
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>	(101,564)	(101,564)	292,435	393,999
<b>FUND BALANCE, July 1</b>	<u>381,402</u>	<u>381,402</u>	<u>381,402</u>	<u>-</u>
<b>FUND BALANCE, June 30</b>	<u>\$ 279,838</u>	<u>\$ 279,838</u>	<u>\$ 673,837</u>	<u>\$ 393,999</u>

See accompanying note to the required supplementary information.

## **SACRAMENTO CENTRAL GROUNDWATER AUTHORITY**

Note to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2023

### **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 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 Groundwater Authority's Board of Directors.

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**