

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

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

For the Fiscal Year Ended June 30, 2025

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
(A Joint Powers Authority)
For the Fiscal Year Ended June 30, 2025

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements:	
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 Changes in Fund Balance.....	12
Notes to the Financial Statements	13
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	18
Note to Required Supplementary Information.....	19
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.....	20

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, 2025, 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, 2025, 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 September 29, 2025, 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.

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

Sacramento, California
September 29, 2025

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

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, 2025. Please read it in conjunction with the Groundwater Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- As of June 30, 2025 the Groundwater Authority's governmental activities and general fund reported net position and fund balance of \$1,315,287.
- The increase in total net position and fund balance of \$112,374 in Fiscal Year 2024-25 is mainly attributable to the Groundwater Authority incurring less than anticipated expenditures for professional services- including on-call engineering support, groundwater sustainability plan services, and County-provided 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 9 through 10 of this report.

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

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
 Management's Discussion and Analysis (Continued)
 For the Fiscal Year Ended June 30, 2025

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.

**Statement of Net Position
 Governmental Activities
 June 30, 2025 and 2024**

	2025	2024	Increase / (Decrease)	
			Amount	Percentage
Total current assets	\$ 1,452,480	\$ 1,281,617	\$ 170,863	13.3%
Total liabilities	137,193	78,704	58,489	74.3%
Net position - unrestricted	\$ 1,315,287	\$ 1,202,913	\$ 112,374	9.3%

At the end of the current fiscal year, the Groundwater Authority reported a balance of \$1,315,287 in *net position*. The increase in net position is primarily due to a decrease in expenses for Groundwater protection and preservation as detailed below.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Management’s Discussion and Analysis (Continued)

For the Fiscal Year Ended June 30, 2025

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, 2025 and 2024**

	2025	2024	Increase / (Decrease)	
			Amount	Percentage
Revenues:				
Program revenues:				
Contributions	\$ 793,325	\$ 820,978	\$ (27,653)	-3.4%
State Grants	-	84,683	(84,683)	-100.0%
Groundwater fee assessments	186,263	183,960	2,303	1.3%
General revenues:				
Interest	66,911	52,060	14,851	28.5%
Total revenues	<u>1,046,499</u>	<u>1,141,681</u>	<u>(95,182)</u>	-8.3%
Expenses:				
Groundwater protection and preservation	934,125	612,605	321,520	52.5%
Change in net position	112,374	529,076	(416,702)	-78.8%
Net position, July 1	<u>1,202,913</u>	<u>673,837</u>		
Net position, June 30	<u>\$ 1,315,287</u>	<u>\$ 1,202,913</u>		

The decrease in program revenues is attributable to a decrease in the groundwater usage contributions. Additionally, the Groundwater Sustainability Management state grant was closed in May 2024.

The increase in expenses is attributable to more labor time required from various contractors, including engineering support for ongoing projects, as well as more legal and accounting expenditures incurred for transitioning the role of treasurer and all finance and accounting functions from the County of Sacramento to the Groundwater Authority, starting July 1, 2025.

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, 2025, the Groundwater Authority’s general fund reported a fund balance of \$1,315,287.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2025

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

<u>Revenues by Source</u>	FY 2025		FY 2024		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
	Contributions	\$ 793,325	75.8%	\$ 820,978	71.9%	\$ (27,653)
State Grant Revenue	-	0.0%	84,683	7.4%	(84,683)	-100.0%
Special Assessments	186,263	17.8%	183,960	16.1%	2,303	1.3%
Interest	66,911	6.4%	52,060	4.6%	14,851	28.5%
Total	\$ 1,046,499	100.0%	\$ 1,141,681	100.0%	\$ (95,182)	-8.3%

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

The following table presents expenditures by object class.

<u>Expenditures by Object Class</u>	FY 2025		FY 2024		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
	County services	\$ 87,058	9.3%	\$ 77,541	12.7%	\$ 9,517
Professional services and fees	836,375	89.5%	525,122	85.7%	311,253	59.3%
Insurance	10,692	1.1%	9,942	1.6%	750	7.5%
Total	\$ 934,125	100.0%	\$ 612,605	100.0%	\$ 321,520	52.5%

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

General Fund Budgetary Highlights

The Fiscal Year 2024-25 Final Budget was adopted by the Groundwater Authority's Board of Directors on June 12, 2024.

There were no changes between the Original Budget and the Final Budget for Fiscal Year 2024-25.

The Groundwater Authority budget is based on actual costs incurred in the prior year. The Groundwater Authority incurred less than anticipated total expenditures by \$270,675 in Fiscal Year 2024-25. This was mainly attributable to less than anticipated actual costs incurred for contracted professional services, such as on-call engineering support services and groundwater sustainability plan services, by \$176,254. Also, less than anticipated County services were utilized by \$59,398.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2025

Economic Factors and Next Year's Budget

The Fiscal Year 2025-26 Final Budget was adopted by the Groundwater Authority's Board of Directors on June 11, 2025.

The proposed means of financing the \$1,414,025 in budgeted expenditures for Fiscal Year 2025-26 includes member contributions totaling \$744,516, Groundwater Sustainability Agency (GSA) contributions of \$164,920, Sustainable Groundwater Management Act (SGMA) special assessment levy of \$188,891, and interest income of \$50,000. The expanded budget is driven by the requirement to do a five-year evaluation/update to the Groundwater Sustainability Plan, resulting in an expected increase to professional consulting services expenditures by 30%.

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 7th Street, Room 301, Sacramento, CA 95814.

BASIC FINANCIAL STATEMENTS

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Statement of Net Position - Governmental Activities

For the Fiscal Year Ended June 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,420,221
Interest receivable	32,259
Total Assets	<u>1,452,480</u>
LIABILITIES	
Warrants and accounts payable	<u>137,193</u>
NET POSITION	
Unrestricted	<u><u>\$ 1,315,287</u></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, 2025

FUNCTION/PROGRAM	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue / (Expense) and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Groundwater protection and preservation	\$ 934,125	\$ 186,263	\$ 793,325	45,463
General revenues:				
Interest				<u>66,911</u>
Change in net position				112,374
Net Position, July 1				<u>1,202,913</u>
Net Position, June 30				<u>\$ 1,315,287</u>

See accompanying notes to the basic financial statements.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Balance Sheet

For the Fiscal Year Ended June 30, 2025

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 1,420,221
Interest receivable	32,259
Total Assets	<u>\$ 1,452,480</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Warrants and accounts payable	<u>\$ 137,193</u>
 FUND BALANCE	
Unassigned	1,315,287
Total Liabilities and Fund Balance	<u>\$ 1,452,480</u>

See accompanying notes to the basic financial statements.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2025

	General Fund
REVENUES	
Contributions	\$ 793,325
Groundwater fee assessments	186,263
Interest	66,911
Total Revenues	1,046,499
 EXPENDITURES	
Groundwater Protection and Preservation:	
County services	87,058
Professional services and fees	836,375
Insurance	10,692
Total Expenditures	934,125
 Net Change in Fund Balance	 112,374
 Fund Balance - beginning	 1,202,913
 Fund Balance - ending	 \$ 1,315,287

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, 2025

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, and the Sacramento Area Sewer 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, 2025

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 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 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, 2025

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 generally accepted accounting principles in the United States of America (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 pool. The County Treasurer's pool is not rated by credit rating agencies. At June 30, 2025, the Groundwater Authority's cash and investments held in the County Treasurer's pool totaled \$1,420,221. 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 County Treasurer's 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, 2025

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, 2025 of \$1,420,221 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.	9/29/2024– 9/29/2025	PAC 214510007

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, 2025

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 \$87,058.

Engineering	\$ 55,301
Administrative	31,757
Total	<u>\$ 87,058</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, 2025 financial statements.

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, 2025

	Budgeted amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Contributions	\$ 799,977	\$ 799,977	\$ 793,325	\$ (6,652)
Groundwater fee assessments	185,000	185,000	186,263	1,263
Interest	10,000	10,000	66,911	56,911
Total revenues	<u>994,977</u>	<u>994,977</u>	<u>1,046,499</u>	<u>51,522</u>
EXPENDITURES				
Current:				
Groundwater Protection and Preservation				
County services	150,600	150,600	87,058	63,542
Professional services and fees	1,042,800	1,042,800	836,375	206,425
Insurance	11,400	11,400	10,692	708
Total expenditures	<u>1,204,800</u>	<u>1,204,800</u>	<u>934,125</u>	<u>270,675</u>
Excess / (Deficiency) of Revenues Over / (Under) Expenditures	<u>(209,823)</u>	<u>(209,823)</u>	<u>112,374</u>	<u>322,197</u>
NET CHANGE IN FUND BALANCE (GAAP BASIS)	(209,823)	(209,823)	112,374	322,197
FUND BALANCE, July 1	<u>1,202,913</u>	<u>1,202,913</u>	<u>1,202,913</u>	<u>-</u>
FUND BALANCE, June 30	<u><u>\$ 993,090</u></u>	<u><u>\$ 993,090</u></u>	<u><u>\$ 1,315,287</u></u>	<u><u>\$ 322,197</u></u>

See accompanying notes to the required supplementary information.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Note to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

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 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 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, 2025, 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 September 29, 2025.

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
September 29, 2025