

**SACRAMENTO GROUNDWATER AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT  
and  
FINANCIAL STATEMENTS**

**June 30, 2014 and 2013**

## CONTENTS

---

	PAGE
<b>INDEPENDENT AUDITOR’S REPORT</b>	1 – 2
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	3 – 11
<b>FINANCIAL STATEMENTS</b>	
Governmental Fund Balance Sheet / Statements of Net Position	12
Statements of Revenues, Expenditures and Changes in Fund Balance	
Statements of Activities	13
Notes to Financial Statements	14 – 23
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures and Changes	
in Fund Balance – Budget to Actual for the year ended June 30, 2014	24
Statement of Revenues, Expenditures and Changes	
in Fund Balance – Budget to Actual for the year ended June 30, 2013	25
<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>	26 –27

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Sacramento Groundwater Authority  
Sacramento, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and special revenue fund of the Sacramento Groundwater Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

### *Comparative Prior Year Information*

The June 30, 2013 amounts included in the financial statements were audited previously and the summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Richardson & Company, LLP*

November 24, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Sacramento Groundwater Authority (SGA) is a joint powers authority created to collectively manage, protect, and sustain the Sacramento region's north area groundwater basin, which includes all of Sacramento County north of the American River. The following discussion and analysis of the SGA financial performance provides an overview of the financial activities for the fiscal years ending June 30, 2014 and 2013. This discussion analysis should be read in conjunction with the financial statements, which can be found on pages 14 to 25 of this report.

### **Description of Basic Financial Statements**

SGA maintains its accounting records in accordance with generally accepted accounting principles for a special revenue fund type of the governmental fund group as prescribed by the Government Accounting Standards Board. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. SGA's revenues are legally restricted under a joint powers agreement provided for under the California Government Code. The accounts of SGA are organized on the basis of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The Governmental Accounting Standards Board requires that fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which SGA is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of the SGA's fund balances include: non-spendable and restricted funds. Non-spendable fund balance represents amounts such as prepaid expenses that are not available for expenditure because they are not expected to be converted to cash. Since SGA's revenues are legally restricted for the purpose of managing the Sacramento groundwater basin, any revenues would be considered a restricted fund balance.

The basic financial statements include governmental fund balance sheet/statement of net position and the statement of revenues, expenditures, and changes in fund balance/statement of activities. Additionally, the statement of revenues, expenditures, and changes in fund balance – budget to actual is included as required supplementary information on pages 24 to 25 of this report.

The statement of net position includes SGA as a special revenue fund with assets, liabilities and fund balance. Over time, increases or decreases in net position may serve as a useful indicator of whether SGA's financial position is improving or deteriorating.

The statements of revenues, expenditures, and changes in fund balance/statement of activities report all of SGA's revenues and expenditures/expenses during the periods indicated. This statement reflects the operating activity as both a special revenue fund and also converts to a statement of activity. All changes in net position are reported as soon as the underlying event is measurable and available. Expenditures/expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. amounts due to vendors) for both the fund balance and net

position. Revenues are reported when available (i.e. grant awards) for fund balance and reported when earned in the net position statement.

The statements of revenues, expenditures, and changes in fund balance – budget to actual illustrate the actual results compared to the legally adopted budget on a fund basis. The fund basis does not include depreciation expense and includes capital asset purchases as expenditures.

The financial statements can be found on pages 12 to 13.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The notes to the financial statements can be found on pages 14 to 25 of this report.

**Condensed Financial Information**

For the fiscal years ending June 30, the following condensed comparative balance sheets using a net position basis are presented:

	<u>2014</u>	<u>2013</u>
Other Assets	\$ 646,797	\$ 669,954
Capital assets, net	16,443	15,165
Total Assets	<u>\$ 663,240</u>	<u>\$ 685,119</u>
Liabilities	\$ 90,444	\$ 113,618
Net Position:		
Invested in capital assets	16,443	15,165
Restricted	556,353	556,336
Total Net Position	<u>\$ 572,796</u>	<u>\$ 571,501</u>

*Other Assets*

Other assets consisted of cash and cash equivalents, interest receivable and prepaid assets. Other assets decreased by \$23,157 from the previous year. The decrease is due to the use of cash to pay for amounts due to Regional Water Authority (“RWA”), a related party.

*Capital Assets*

Net capital assets include office furniture, field and office equipment, and leasehold improvements, net of accumulated depreciation. The overall increase in capital assets costs reflects an increase in equipment due to obtaining a new computer server, which is partially offset by disposal of an obsolete computer server and software.

### *Liabilities*

Current liabilities of \$90,444 that are due within one year have decreased \$23,174 from the previous year and include amounts due to vendors, and a payable to the RWA. The decrease is mainly due to payments to RWA for SGA's allocated cost share for a one time pension plan payment of \$26,610, which retired a historical pension plan obligation. The current liabilities include \$83,178 due to the RWA for administrative service costs and \$11,398 representing leasehold improvements costs that were acquired with RWA. These acquisition costs are amortized over the life of the office lease agreement in the form of rental expense reimbursement to RWA.

### *Net Position Invested in Capital Assets*

Investment in capital assets net of accumulated depreciation totaled \$16,443 and increased a net \$1,278 over the prior year due to a new computer server acquisition, the disposal of the old computer server, plus annual depreciation. Approximately 3% of net position is invested in capital assets.

### *Restricted Net Position*

All of the assessment fee revenue received by SGA is considered restricted for the purpose of SGA as outlined in the Joint Powers Agreement ("Agreement"). The Agreement legally enforces SGA to use these funds to further the purpose of SGA in managing the groundwater basin. Any unused fees not previously allocated to capital assets, is considered restricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether SGA's financial position is improving or deteriorating.

The restricted net position may be used to meet SGA's ongoing obligations to member agencies and creditors. For fiscal year 2014, approximately \$287,300 of restricted net position has been designated as an operating fund to mitigate current and future risks due to revenue shortfalls and unanticipated expenses. See Note 4 and 5 of Notes to Basic Financial Statements for the detail and types of fund balances and restricted net position.

## Condensed Schedule of Revenues, Expenses, and Changes in Net Position

For the fiscal years ending June 30, the following condensed Statements of Revenues, Expenses and Changes in Net Position are presented:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
	<u>Statement of Activities</u>	<u>Statement of Activities</u>
Program Revenue		
Assessment Income	\$ 520,168	\$ 507,711
General Revenues	<u>2,045</u>	<u>2,734</u>
Total Revenue	<u>522,213</u>	<u>510,445</u>
Total Program Expenses	<u>520,918</u>	<u>516,412</u>
Increase (Decrease) in Net Position	1,295	(5,967)
Net Position July 1	<u>571,501</u>	<u>577,468</u>
Net Position June 30	<u><u>\$ 572,796</u></u>	<u><u>\$ 571,501</u></u>

### ***Program Revenues***

SGA's program revenues are substantially derived from available assessment fees and grant awards, when available. Assessment fees are paid by members and are designed to fund the core SGA activities. Grants and incentives are awarded to SGA either from state, federal, or local agencies to fund water related projects.

#### *Analytical Review of Program Revenues*

Assessment fees totaled \$520,168 and are \$12,457 higher than in the previous year. SGA assessment fees are based upon two components: a groundwater fee and a base administrative fee formula, reflecting the member's capacity to pump water. In fiscal year 2014, the groundwater fee was raised from \$4.00 to \$4.20 per acre foot, based upon a running five year average of historical volume, which was calculated as 70,000 acre-feet. The base administrative fee formula minimum fee was also raised from \$6,740 to \$7,077 per member. The per connection fee was raised from eighty-five to eighty-nine cents per connection for connections greater than 6,000. The increase in fees helps to mitigate the drop in the groundwater pumping acre-feet and achieve the long-term goal of base fees covering 40% of the costs.

State, federal and local government grants will vary from year to year based upon availability and applicability to member agencies. In March 2013, DWR announced results for another Local Groundwater Assistance Grant Program (AB 303) and awarded SGA a grant in the amount of \$225,000. Activity on this new grant will begin in fiscal year 2015.

### *General revenue*

General revenue of \$2,045 largely represents interest income and reflects a \$689 decrease from the prior year corresponding to lower interest rates and lower cash balances.

### *Program expenses*

Program expenses fall into two major categories: shared and direct administration expenses and project expenses. Administrative expenses pay for the baseline SGA strategy and activities.

### *Analytical Review of Shared and Direct Expenditures*

Program expenses totaled \$520,918 and are \$4,506 higher than the previous year's expenses of \$516,412. The increased costs reflect increases in wages, printing and supplies and legal costs. These increases were offset by a decrease in administrative benefits. For the year ending June 30, 2013, SGA incurred one-time costs associated with allocated administrative cost payable to RWA for historical pension plan obligations.

### **Capital Assets**

Capital asset investment includes office furniture, office and field equipment and leasehold improvements as of June 30, 2014 and amounts to \$16,443 net of accumulated depreciation. Except for field equipment related specifically to SGA, capital asset acquisitions are co-owned with RWA and each authority pays 50% of the acquisition cost.

	<u>2014</u>	<u>2013</u>
Furniture	\$ 14,759	\$ 14,759
Equipment	26,476	25,972
Leasehold Improvements	<u>17,951</u>	<u>17,951</u>
Gross Capital Assets	59,186	58,682
Less accumulated depreciation and amortization	<u>(42,743)</u>	<u>(43,517)</u>
Capital Assets, net	<u>\$ 16,443</u>	<u>\$ 15,165</u>

SGA disposed of fully depreciated obsolete computer server and software of \$6,027 for the period ending June 30, 2014. SGA also purchased 50% of a new computer server and software for \$6,531. Additional information on the furniture and equipment can be found in note 3 on pages 19 and 20 of this report.

## Special Revenue Fund Condensed Budgetary Analysis

For the fiscal year ending June 30, 2014, the following condensed Budget to Actual Statements of Revenues, Expenditures, and Changes in Fund Balance are presented:

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
Program Revenues			
Assessment Income	\$ 520,200	\$ 520,168	\$ (32)
Grant Awards	\$ 200,000	\$ -	\$ (200,000)
Total Program Revenues	720,200	520,168	(200,032)
General Revenue - Interest and Other Income	2,500	2,045	(455)
Total Revenues	722,700	522,213	(200,487)
Expenditures			
Administrative Expenses	396,700	364,623	32,077
Office Expenses	50,900	45,086	5,814
Professional Fees	143,600	102,530	41,070
Capital Outlay and Equipment	10,000	9,957	43
Consulting Expenses - AB 303 Grant	200,000	-	200,000
Total Expenditures	801,200	522,196	279,004
Expenditures (Over) Under Revenue	(78,500)	17	78,517
Fund Balance, July 1, 2013	556,336	556,336	-
Fund Balance, June 30, 2014	\$ 477,836	\$ 556,353	\$ 78,517

SGA begins preparing the budgets approximately in February of the preceding fiscal year and finalizes and adopts the budget before the beginning of the new fiscal year. Overall, SGA's financial results were positive compared to the expected budget by \$78,517. Significant budget versus actual variances are as follows.

### *Grant Awards*

In March 2013, DWR announced results for another Local Groundwater Assistance Grant Program (AB 303) and awarded SGA a grant in the amount of \$225,000. The \$200,000 grant award and corresponding consulting expenses have been delayed and are expected to be incurred in fiscal year 2015.

### *Administrative Expenses*

SGA does not have any staff and therefore incurs administrative expenses from RWA to manage SGA. Total expected administrative costs were \$32,077 lower than budgeted. Administrative expenses are budgeted based upon costs from an allocation of administrative time under the

Administrative Services Agreement with RWA. SGA incurred less administrative expenses than budgeted due to lower administrative overhead allocations based upon work performed by the project associate.

#### *Office Expenses*

Office expenses are shared 50/50 with RWA as part of the administrative services agreement. Overall, these costs were lower by \$5,814 than budgeted. These expenses are carefully managed by RWA.

#### *Professional Fees*

Overall consulting fees came in lower than budgeted. Lower costs are the result of not using consultants as expected for monitoring water quality levels, maintaining the data management system, preparing the annual groundwater management/state of the basin report, water accounting policies, regional contamination issues, groundwater modeling and related legal fees. Some of these cost savings have been set aside to be used on these projects in the next fiscal year as discussed in Note 4.

#### *Capital Outlay and Equipment*

Capital outlay and equipment represents SGA's share in the cost of office and computer equipment which did not meet SGA's asset capitalization policy.

#### *Consulting Expenses – AB 303 Grant*

As previously discussed, the consulting expenses and related grant award have been delayed and now are expected to be incurred in fiscal year 2015.

### **Economic factors and assumptions for fiscal year June 30, 2015**

SGA assessment fees continue to be based upon two components: a groundwater fee and a base administrative fee formula. A less than 1% increase in assessment fees was adopted for the fiscal year June 30, 2015 budget. Each member's specific fee change depends upon the changes in their water connections and groundwater pumping from the previous year.

Major budget assumptions used in adopting the June 30, 2015 budget include:

- 1) The groundwater fee is re-adjusted to \$4.10 per acre-foot, based upon a running five year average of historical volume, calculated as 70,534 acre-feet. This decrease is offset by the administrative fee increases. The groundwater fees pay approximately 44% towards the overall budget, excluding grant related expenses. Over time, the goal is for groundwater fees to contribute approximately 60% of overall expenses.
- 2) The minimum base administrative fee is set at \$7,150 plus 92 cents per connection for connections over 6,000, and pays approximately 35% to the overall budget, excluding grant related expenses. The base administrative fee, including the minimum \$7,150 fee, is set to increase annually by the overall percentage of expense increase for administrative costs.

- 3) The remaining 21% of operating expenses are expected to be paid from undesignated funds accumulated from prior fiscal years.
- 4) SGA has been planning to prefund the new Governmental Accounting Standards Board (“GASB”) pension plan accounting change, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (“GASB No. 68”). The required implementation year is fiscal year 2015. The new GASB rule requires government agencies to recognize the unfunded pension liability on the entity's records. Even though SGA does not have any employees, it does have an obligation to RWA to pay for administrative related overhead expenses for managing SGA. Even though RWA has been funding its annually required contribution towards its pension obligations, RWA will have an unfunded pension liability which will result in some cost allocation expenses of approximately \$87,800 in fiscal year 2015 for SGA. Also see additional information in note 10 which discusses some potential new commitments for SGA in regards to pension plan obligations.
- 5) SGA was awarded a \$225,000 grant in March 2013 from the Department of Water Resources for the Local Groundwater Assistance Grant Program (AB 303) for a groundwater contamination study that will now begin in FY 2015.
- 6) For future year projections, the acre-feet extracted is budgeted to decrease from 70,534 in 2015 to an estimated 68,672 in fiscal year ending June 30, 2019. This assumption will require modification as members' plans and projections to pump water and the actual acre-feet extracted will be lower or higher. While the groundwater fee is based upon a per acre-foot charge, SGA’s expenses do not decline with declining groundwater pumping. Over time, the per acre groundwater fee needs to increase to pay for operational expenses.
- 7) Administrative expenses paid to RWA include 50% allocation from RWA for anticipated consultative use of four full time positions and 30% allocation of the project management assistant.
- 8) Some general expenses are expected to increase 3%.
- 9) SGA has no employees and will continue to be managed pursuant to a joint services contract with the RWA. Common costs for administrative personnel, office, professional fees, and other expenses are shared with RWA at a 50/50 split. SGA’s share of planned expenditures for fiscal year June 30, 2015 is \$499,400.
- 10) SGA’s planned expenditures are expected to exceed revenues by \$134,000 in the new fiscal year. The excess of expenses over fees will be paid for by SGA’s undesignated fund.
- 11) The SGA consulting budget reflects \$50,000 in out-sourced support activities in fiscal year 2014, which includes updating the biennial basin management report, monitoring water quality levels, maintaining the data management system, regional contamination, and groundwater modeling.
- 12) The operating fund is targeted at approximately 6.6 months for fiscal year 2015. SGA plans to pay RWA \$87,800 in fiscal year 2015 for the SGA allocated administrative expenses related to RWA implementing the Governmental Accounting Standards Board (“GASB”) pension plan accounting change, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (“GASB 68”). SGA does not have any employees. While RWA is the employer, these costs are a result of historical administrative costs which SGA is obligated to pay based upon the administrative services agreement between the two authorities. Additionally, SGA plans to pay additional funds in fiscal year 2016 through fiscal year 2018 for this anticipated cost.

The significant factors noted above were considered in preparing the SGA's budget for the fiscal year ending June 30, 2015.

### **Requests for Information**

This financial report is designed to provide a general overview of SGA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance and Administrative Services Manager, Regional Water Authority, 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**GOVERNMENTAL FUND BALANCE SHEET /**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

---

	June 30, 2014		June 30, 2013	
	Special Revenue Fund	Adjustments (Note 8)	Statement of Net Assets	Statement of Net Assets
<b>ASSETS</b>				
Cash and Investments	\$ 643,054	\$ -	\$ 643,054	\$ 666,146
Interest and Other Receivables	422	-	422	418
Prepaid Assets	3,321	-	3,321	3,390
Capital assets, net	-	16,443	16,443	15,165
Total Assets	\$ 646,797	16,443	663,240	685,119
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,266	-	7,266	597
Payable to Regional Water Authority	83,178	-	83,178	113,021
Total Liabilities	90,444	-	90,444	113,618
<b>FUND BALANCES</b>				
Fund balances				
Non-spendable	3,321	(3,321)	-	-
Restricted	553,032	(553,032)	-	-
Total Fund Balance	556,353	(556,353)	-	-
Total Liabilities and Fund Balances	\$ 646,797			
<b>NET POSITION</b>				
Invested in capital assets		16,443	16,443	15,165
Restricted		556,353	556,353	556,336
Total Net Position		\$ 572,796	\$ 572,796	\$ 571,501

**SACRAMENTO GROUNDWATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE /**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014			June 30, 2013
	Special Revenue Fund	Adjustments (Note 8)	Statement of Activities	Statement of Activities
<b>REVENUES</b>				
Program Revenue				
Assessment Income	\$ 520,168	\$ -	\$ 520,168	\$ 507,711
Total Program Revenue	520,168	-	520,168	507,711
General Revenue - Interest and Other Income	2,045	-	2,045	2,734
Total Revenue	522,213	-	522,213	510,445
<b>PROGRAM EXPENDITURES/EXPENSES</b>				
Shared and Direct Expenses:				
Wages and Salaries	238,164	-	238,164	225,761
Employee Benefits	118,622	-	118,622	143,093
Travel and Training	7,837	-	7,837	6,661
Rent	9,748	-	9,748	9,748
Insurance	11,264	-	11,264	12,314
Depreciation and Amortization	-	5,253	5,253	4,496
Capital outlay and equipment	9,957	(6,531)	3,426	4,348
Telephone	4,946	-	4,946	4,646
Dues and Subscriptions	4,013	-	4,013	3,777
Printing, Supplies and Postage	11,609	-	11,609	9,276
Computer Maintenance	3,506	-	3,506	3,176
Audit and Banking	9,766	-	9,766	9,438
Legal	21,294	-	21,294	7,700
Consultants	71,470	-	71,470	71,978
Total Program Expenditures/Expenses	522,196	(1,278)	520,918	516,412
<b>EXCESS OF PROGRAM REVENUES OVER EXPENDITURES</b>	17	(17)	-	-
<b>CHANGE IN NET POSITION</b>	-	1,295	1,295	(5,967)
<b>FUND BALANCES/NET POSITION</b>				
Beginning of the year	556,336	15,165	571,501	577,468
End of the year	\$ 556,353	\$ 16,443	\$ 572,796	\$ 571,501

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

---

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

**Description of reporting entity** – Sacramento Groundwater Authority (SGA) was formed under a Joint Exercise of Powers Agreement on July 1, 1998 to collectively manage the Sacramento region’s North Area Groundwater Basin, which includes all of Sacramento County north of the American River. SGA was created for the purposes of protecting, preserving, and enhancing the groundwater resources in the North Area Basin for current and future beneficial uses of all water users in SGA’s boundaries.

SGA is governed by a board comprised of a representative from each of the 14 governmental water suppliers and representatives of self-supplied groundwater users and agricultural users. The representatives are appointed by the JPA signatories and serve four-year terms.

**Types of funds** – SGA accounts for its financial position and results of operations in accordance with generally accepted accounting principles for governmental units. Accordingly, SGA uses governmental funds. SGA does not have any proprietary or fiduciary funds.

Governmental Fund Type:

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted for specified purposes.

**Basis of accounting** – The Special Revenue fund is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, financing sources are recognized when they become available and measurable. Expenditures and other financing uses are recognized as the related fund liabilities are incurred.

**Governmental-wide financial statements** – The statements of net position and the statements of activities display information about SGA as a whole. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This presentation differs from the manner in which the governmental fund financial statements are prepared. Therefore, Note 8 details the adjustments with brief explanations to identify the major differences between the fund financial statements and the governmental-wide financial statements.

Net position is the difference between assets and liabilities. Net position invested in capital assets are furniture and equipment net of accumulated depreciation. Since SGA assessment fee revenue is restricted for the specific purpose of managing the Sacramento Groundwater Basin, all remaining net position is classified as restricted.

**Fund financial statements** – Fund financial statements present the special revenue fund of SGA. SGA is considered a special-purpose government and has elected to combine the fund financial statements and the government-wide statements and show the reconciliation from the fund financial statements to the government-wide statements in an adjustment column.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

---

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

**Cash and Investments** – SGA participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities.

**Revenue recognition** – The major sources of revenue for SGA are assessments and grants. Each of the 14 member water districts, cities and service districts pays annual assessments to SGA. These assessments are based upon two components: a groundwater fee and a base administrative fee formula. The groundwater fee component is based upon a historical five-year running average of acre-feet of water pumped and was set at \$4.20 and \$4.00 per acre foot for the years ending June 30, 2014 and 2013. The base administrative fee was calculated based upon the number of connections and was set at a minimum of \$7,077 and \$6,740 for the first 6,000 connections and then eighty-nine and eighty-five cents per connection for each connection after 6,000 for the years ending June 30, 2014 and 2013.

The accounting treatment for grant award revenue depends on whether it is reported in the government-wide or fund financial statements. In March 2013, SGA was awarded a state grant in the amount of \$225,000 from the California Department of Water Resources (DWR) to evaluate the potential threats to groundwater sustainability resulting from contamination. There were no eligible reimbursable costs during the fiscal year 2014.

In the fund financial statements, these grant award revenues will only be recognized when available during the fiscal year. Until such time, the grant award revenues are reflected as a receivable and as deferred inflow. There were no grant award revenues received in fiscal year 2014.

**Unavailable Revenue** – In the fund financial statements, grant awards earned but not yet available are recorded as a deferred inflow under the modified accrual basis of accounting. SGA considers all revenues reported in the fund special revenue fund to be available if the revenues are collected within 90 days after year-end.

**Unearned Revenue** – In the government wide financial statements, the reimbursable grant awards are recognized as revenue when earned. In the government-wide statements, annual membership assessment fees received in advance of the next fiscal year are classified as unearned revenue.

**Related party** – Since SGA does not have any employees, SGA is managed by the Regional Water Authority (RWA). RWA was created in 1990 under another Joint Exercise of Powers Agreement. Many of the members of SGA are also members of the RWA. Under an Administrative Services Agreement, SGA and RWA are equally responsible for all common costs incurred to operate the joint office unless modified by specific agreements or by the annual budget adoption process.

During the fiscal years ending June 30, 2014 and 2013, SGA shared 50% of all common joint office costs including administrative personnel expenses. SGA incurred common cost expenses of \$463,957 and 457,655, respectively. For the years ending June 30, 2014 and 2013, SGA owes RWA \$83,178 and \$113,021, respectively.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

---

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

During the year ending June 30, 2012, RWA incurred leasehold improvements and office equipment expenses for an office remodel which are shared 50/50 with SGA. The shared cost for this office remodel was \$19,148. These costs are being amortized over the life of the lease as an offset to rent expense. The remaining unamortized balance, which is included in the payable to RWA, and the balance at June 30, 2014 and 2013 is \$11,398 and \$14,133, respectively, and is included in the payable to RWA. Additionally, SGA was also a subscription participant in the Resource Legacy Fund regional tools grant award. For the years ending June 30, 2014 and 2013, RWA invoiced SGA \$17,685 and \$6,248, respectively, in grant related subscription expenses. This grant was completed at June 30, 2014. The balance of amounts due to RWA represents ongoing administrative expenses incurred by RWA to manage SGA.

**Fund Balances**

Governmental Accounting Standard Board's Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54") only apply to the fund financial statements. GASB 54 requires reporting of fund balances that comprise a fund balance hierarchy based primarily on the extent to which the government is bound to observe obligations or commitments imposed upon the use of resources reported in governmental funds. Under GASB 54, there are now five categories of fund balance: non-spendable, restricted, committed, assigned and unassigned.

*Non-spendable fund balance* – These balances cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The prepaid items recorded in SGA's balance sheet are not in spendable form as they are not expected to be converted to cash.

*Restricted fund balance* – These balances are externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law. Since SGA's revenues are legally restricted through the Joint Powers Authority Agreement for the purpose of managing the Sacramento groundwater basin, any revenues not classified as non-spendable would be considered a restricted fund balance. Consequently, SGA would not have any unassigned fund balances.

*Committed fund balance* – These balances can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, that remain binding unless commitments are removed in the same manner. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Since SGA's revenues are legally restricted, all fund balances other than non-spendable will be reflected as restricted.

*Assigned fund balance* – These balances are constrained by intent to be used for a specific purpose. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Assigned balances are typically spent first unless a specifically identified project has been committed or restricted within a fund balance. Since SGA's revenues are legally restricted, all fund balances other than non-spendable will be reflected as restricted.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

---

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

The Board of Director’s can vote to approve assigning or committing specific fund balances. See Note 4 for additional information regarding fund balance.

**Capital assets** – The accounting treatment over property and equipment depends on whether they are reported in the government-wide or fund financial statements. In the government-wide statements, property and equipment are accounted for as capital assets. Property and equipment capitalized consist of office furniture, field equipment acquisitions and leasehold improvements capitalized at cost. Depreciation is computed and recorded by the straight-line method over the estimated useful life of five years. In the fund financial statements, capital asset acquisitions are reported as capital outlay expenditures. Depreciation is not provided for in the fund financial statement.

**Budget** – SGA’s governing board must approve a budget within 90 days of July 1<sup>st</sup> and has satisfied these requirements. Any significant revisions to the budget would be approved by SGA’s governing board.

**Use of estimates in financial statements** – In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Reclassifications** – Certain amounts in the financial statements for the year ended June 30, 2013 have been reclassified to conform to the presentation in the financial statements for the year ended June 30, 2014. Such reclassifications had no effect on total net assets at June 30, 2013 or loss in net assets for the year then ended.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments in the statement of net position consist of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Deposits with financial institutions	\$ 19,302	\$ 79,342
Investments in LAIF	<u>623,752</u>	<u>586,804</u>
Total cash and investments	<u>\$ 643,054</u>	<u>\$ 666,146</u>

**Investments Authorized by SGA’s Investment Policy**

SGA’s investment policy authorizes investments in the local government investment pool administered by the State of California (LAIF). The investment policy does not contain any specific provisions intended to limit SGA’s exposure to interest rate risk, credit risk and concentration of credit risk.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

---

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment's sensitivity to the changes in market interest rates increases as the length of maturity increases. At June 30, 2014 and 2013, the average maturity of the investments contained in the LAIF investment pool was approximately 232 and 278 days, respectively.

**Disclosures Relating to Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. SGA has 97% of its cash invested in LAIF.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and SGA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the California Government Code section 53652 which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF. At June 30, 2014 and 2013, SGA's bank balances were \$19,302 and \$79,342, respectively. The FDIC's basic insurance limit is \$250,000 per depositor.

**Investment in State Investment Pool**

SGA is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by state statute. The fair value of the investment in this pool is reported in the accompanying financial statements at amounts based upon SGA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are reported on an amortized cost basis. Total fair value of all public agencies invested in LAIF at June 30, 2014 and 2013 was \$64,870,214,443 and \$58,828,474,533, respectively. For information on the types of investments made by LAIF, refer to the State of

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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

California Treasurer’s separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer’s website at [www.treasurer.gov/pmia-laif/](http://www.treasurer.gov/pmia-laif/).

**NOTE 3 – PROPERTY AND EQUIPMENT**

Fixed assets, consisting of furniture, equipment and leasehold improvements in excess of \$2,500 per unit, with useful lives of more than one year are stated at historical cost and are included in the financial statements. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. SGA provides for depreciation using the straight-line method over the estimated useful lives of the assets, which is five years. Leasehold improvements are amortized over the remaining life of the lease. During the year ending June 30, 2014, SGA purchased office equipment for \$6,531 and disposed of fully depreciated obsolete office equipment with a historical cost of \$6,027.

A summary of the furniture and equipment at cost is as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Furniture	\$ 14,759	\$ -	\$ -	\$ 14,759
Equipment	25,972	6,531	(6,027)	26,476
Leasehold Improvements	17,951	-	-	17,951
Total	<u>58,682</u>	<u>6,531</u>	<u>(6,027)</u>	<u>59,186</u>
Less accumulated depreciation	<u>(43,517)</u>	<u>(5,253)</u>	<u>6,027</u>	<u>(42,743)</u>
Fixed Assets, Net	<u>\$ 15,165</u>	<u>\$ 1,278</u>	<u>-</u>	<u>\$ 16,443</u>

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 3 – PROPERTY AND EQUIPMENT (CONTINUED)**

	Balance		Balance	
	June 30, 2012	Increases	Decreases	June 30, 2013
Furniture	\$ 14,759	\$ -	\$ -	\$ 14,759
Equipment	33,558	-	(7,586)	25,972
Leasehold Improvements	17,951	-	-	17,951
Total	66,268	-	(7,586)	58,682
Less accumulated depreciation	(46,607)	(4,496)	7,586	(43,517)
Fixed Assets, Net	<u>\$ 19,661</u>	<u>\$ (4,496)</u>	-	<u>\$ 15,165</u>

**NOTE 4 – SPECIAL REVENUE FUND BALANCE**

As of June 30, 2014, fund balance consists of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Non-spendable - prepaid assets	\$ 3,321	\$ 3,390
Restricted	553,032	552,946
Total Fund Balance	<u>\$ 556,353</u>	<u>\$ 556,336</u>

Restricted

Since SGA's fee revenues are restricted for the specific purpose of managing the Sacramento Groundwater Basin under the joint powers agreement; any fund balance not previously allocated to non-spendable will be classified as restricted for that purpose.

Annually, the Board approves an operating stabilization amount during the budget process, designed to be used for working capital needs, budget contingencies, and partnership grant opportunities. See note 5 for additional information regarding this operating stabilization balance.

**NOTE 5 – STATEMENT OF NET POSITION – RESTRICTIONS AND DESIGNATIONS**

Restrictions

SGA's statement of net position consists of two components: investments in capital assets and restricted net position. Since SGA's fee revenues are restricted for the specific purpose of managing the Sacramento Groundwater Basin under the joint powers agreement, any net position not previously allocated to investments in capital assets are considered restricted. This restricted net position is to be used for the purpose of managing the groundwater basin.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5 – STATEMENT OF NET POSITION – RESTRICTIONS AND DESIGNATIONS (CONTINUED)**

Designations

During the fiscal year ending June 30, the Board of Directors approved designations as follows:

	2014	2013
Operating Fund	\$ 287,300	\$ 303,600
Groundwater Management Plan Report	51,966	18,400
Administrative Overhead	58,500	15,600
	\$ 397,766	\$ 337,600

On an annual basis, the SGA Board approves an operating stabilization balance during the budget process and follows policy Financial Commitment and Assignment Fund Policy No. 400.2. The target operating fund balance is four to six months of operating expenses. The operating balance can be used for working capital needs, budget contingencies, and partnership grant opportunities. The June 30 year-end target balance is modified and approved as part of the adoption of the following fiscal year’s budget and reflects six months of operating expenses. Typically, SGA approves the following fiscal budget in April or June which then approves and adopts any modifications to the current fiscal year’s operating reserve.

At the June 12, 2014 Board meeting, the board approved designating \$51,966 in unused budgeted funds for the work of the groundwater management plan report, monitoring water quality, regional contamination issues and groundwater modeling that will occur in fiscal year 2015. The Board also designated a total of \$58,500 for estimated future administrative overhead costs associated with RWA adopting and potentially funding the pension liability as a result of RWA adopting Governmental Accounting Standards Board (“GASB”) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. These costs represent SGA’s estimated allocated share of administrative management pension overhead costs which SGA is obligated to pay based upon the administrative services agreement between the two authorities.

**NOTE 6 – RETIREMENT COMMITMENTS**

SGA does not have employees and therefore does not have any retirement commitments. SGA is administratively managed by RWA. RWA contracts with CalPERS administration of the pension plan for RWA employees. Retirement contributions made by RWA may be considered an allocable cost to SGA under the Administrative Services Agreement as SGA is responsible for its pro-rata share of administrative overhead. See footnotes in the RWA financial statements for further retirement commitment disclosures available from the Finance and Administrative Services Manager, Regional Water Authority, 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610. Also see Note 10, commitments and contingencies.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS**

SGA does not have employees, but does pay for administrative services and related overhead provided by RWA, which includes any costs related to other post-employment benefits. Other post-employment benefit obligations of RWA may be considered an allocable cost to SGA under the Administrative Services Agreement since SGA has agreed to pay for its pro-rata share of administrative overhead. RWA pays for postemployment benefits other than pensions (“OPEB”). See footnotes in the RWA financial statements for further OPEB disclosures.

**NOTE 8 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

The governmental fund balance sheet for June 30, 2014 is converted to the statement of net position by recording capital assets of \$16,443 net of accumulated depreciation.

For the year ending June 30, 2014, the statement of revenues, expenditures, and changes in fund balances is converted to the statement of activities by recording depreciation and amortization expense of \$5,253 and deducting \$6,531 of capital outlay and equipment that was capitalized as capital assets.

**NOTE 9 – INSURANCE**

SGA participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general liability, public officials’ liability, property damage, and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level.

SGA pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate ACWA/JPIA.

SGA’s deductibles and maximum coverage are as follows:

<u>Coverage</u>	<u>ACWA/JPIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
General and Auto Liability	\$ 2,000,000	\$ 58,000,000	None
Public Officials Liability	2,000,000	58,000,000	None
Property Damage	100,000	100,000,000	\$1,000 - \$25,000
Fidelity Insurance	100,000	-	\$1,000

Claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

---

**NOTE 10 – CONTINGENCIES**

SGA participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that SGA has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of SGA's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

In March 2013, RWA was selected for a routine compliance audit by CalPERS' Office of Audit Services ("OAS") to determine pensionable payroll reporting compliance and member enrollment processes for the period of April 1, 2010 to March 31, 2013. RWA reported all pensionable compensation to CalPERS for RWA's employees. However, OAS' draft compliance audit report, dated June 12, 2013, currently suggests RWA has erroneously reported staff time to administering SGA as RWA pensionable compensation. Instead, OAS believes that the time administering SGA should be pensionable time for SGA. The draft report further noted that SGA is not a CalPERS contracting agency and as a result, RWA employees' time serving SGA cannot be creditable service reportable to CalPERS under the RWA contract and that RWA has over contributed for the time spent administering SGA. RWA disagrees with OAS' finding as contrary to existing legal authority and sent response letters on July 2, 2013 and July 3, 2014, but a final resolution to this issue remains outstanding. If OAS does not change its findings or if CalPERS' Board of Administration does not reject the finding, SGA may ultimately be required to contract with CalPERS for pension benefits to fulfill employment obligations to existing employees and retired annuitants although SGA would likely receive credit for the existing RWA contributions made for time administering SGA. SGA, however, has not recorded a liability for this contingency because the amount of any liability that might result cannot be currently estimated.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SACRAMENTO GROUNDWATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Program Revenues			
Assessment Income	\$ 520,200	\$ 520,168	\$ (32)
Grant Awards	200,000	-	(200,000)
Total Program Revenues	<u>720,200</u>	<u>520,168</u>	<u>(200,032)</u>
General Revenue - Interest and Other Income	2,500	2,045	(455)
Total Revenues	<u>722,700</u>	<u>522,213</u>	<u>(200,487)</u>
<b>PROGRAM EXPENDITURES</b>			
Wages and Salaries	249,400	238,164	11,236
Employee Taxes and Benefits	138,100	118,622	19,478
Travel and Training	9,200	7,837	1,363
Rent	12,500	9,748	2,752
Insurance	12,500	11,264	1,236
Telephone	5,250	4,946	304
Dues and Subscriptions	4,100	4,013	87
Printing and Supplies	10,500	10,119	381
Postage	1,550	1,088	462
Computer Maintenance	3,500	3,506	(6)
Meetings	1,000	402	598
Audit	8,700	8,700	-
Legal Counsel Expense - General	26,000	21,294	4,706
Payroll and Banking Services	1,400	1,066	334
Capital Outlay and Equipment	10,000	9,957	43
Consulting Expenses - General Support Services	37,500	23,270	14,230
Consulting Expenses - Program Management	70,000	48,200	21,800
Consulting Expenses - AB 303 Grant	200,000	-	200,000
Total Expenditures	<u>801,200</u>	<u>522,196</u>	<u>279,004</u>
<b>(DEFICIENCY) EXCESS REVENUE OVER PROGRAM EXPENDITURES</b>	<b>(78,500)</b>	<b>17</b>	<b>78,517</b>
Fund Balance, July 1, 2013	<u>556,336</u>	<u>556,336</u>	<u>-</u>
Fund Balance, June 30, 2014	<u>\$ 477,836</u>	<u>\$ 556,353</u>	<u>\$ 78,517</u>

**SACRAMENTO GROUNDWATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Program Revenues			
Assessment Income	\$ 508,900	\$ 507,711	\$ (1,189)
Total Program Revenues	508,900	507,711	(1,189)
General Revenue - Interest and Other Income	1,900	2,734	834
Total Revenues	510,800	510,445	(355)
<b>PROGRAM EXPENDITURES</b>			
Wages and Salaries	238,200	225,761	12,439
Employee Taxes and Benefits	132,300	143,093	(10,793)
Travel and Training	9,000	6,661	2,339
Rent	12,600	9,748	2,852
Insurance	11,500	12,314	(814)
Telephone	4,500	4,646	(146)
Dues and Subscriptions	3,400	3,777	(377)
Printing and Supplies	10,000	7,336	2,664
Postage	1,400	1,229	171
Computer Maintenance	3,000	3,176	(176)
Meetings	1,000	711	289
Audit	8,500	8,450	50
Legal Counsel Expense - General	26,000	7,700	18,300
Payroll and Banking Services	1,400	988	412
Capital Outlay and Equipment	5,500	4,348	1,152
Consulting Expenses - General Support Services	25,000	23,601	1,399
Consulting Expenses - Program Management	85,000	48,377	36,623
Total Expenditures	578,300	511,916	66,384
<b>(DEFICIENCY) EXCESS REVENUE OVER PROGRAM EXPENDITURES</b>	<b>(67,500)</b>	<b>(1,471)</b>	<b>66,029</b>
Fund Balance, July 1, 2012	557,807	557,807	-
Fund Balance, June 30, 2013	\$ 490,307	\$ 556,336	\$ 66,029

## **OTHER REPORT**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Sacramento Groundwater Authority  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and special revenue fund of the Sacramento Groundwater Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

November 24, 2014