

**SACRAMENTO CENTRAL GROUNDWATER  
AUTHORITY**

**A Joint Powers Authority**

Sacramento, California

Independent Auditors' Report,  
Management's Discussion and Analysis,  
Basic Financial Statements and  
Required Supplementary Information  
**For the Fiscal Year Ended June 30, 2014**

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**Sacramento Central Groundwater Authority**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Groundwater Authority, as of June 30, 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.

***Emphasis of Matter***

As described in Note 1 to the financial statements, the Groundwater Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 18-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015, on our consideration of the Groundwater Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Groundwater Authority's internal control over financial reporting and compliance.

*Vanninck, Trine, Day & Co. LLP*

Sacramento, California

March 4, 2015

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

This section of Sacramento Central Groundwater Authority's (Groundwater Authority) annual financial statements presents a discussion and analysis of the Groundwater Authority's financial performance during the year ended June 30, 2014. Please read it in conjunction with the Groundwater Authority's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- As of June 30, 2014 the Groundwater Authority's reported net position was \$834,114.
- The decrease in total net position in Fiscal Year 2013-14 was attributable to engineering costs for agricultural water demand updates, basin management, and other groundwater management services.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2014**

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

	2014	2013	Increase / (Decrease)	
			Amount	Percentage
Total current assets	\$ 863,263	\$ 851,965	\$ 11,298	1.3%
Current and other liabilities	29,149	13,319	15,830	118.9%
Net position Unrestricted	\$ 834,114	\$ 838,646	\$ (4,532)	-0.5%

At the end of the current fiscal year, the Groundwater Authority reported a balance of \$834,114 in *net position*. The decrease in net position is primarily due to operating expenses exceeding member contributions.



**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2014**

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

<b>Statement of Activities</b>				Increase / (Decrease)	
		Year Ended June 30,			
		2014	2013	Amount	Percentage
<b>Revenues:</b>					
<b>Program revenues:</b>					
Contributions	\$	244,222	\$ 254,492	\$ (10,270)	-4.0%
State Grants		7,471	-	7,471	0.0%
<b>General revenues:</b>					
Interest		864	5,332	(4,468)	-83.8%
Total revenues		<u>252,557</u>	<u>259,824</u>	<u>(7,267)</u>	<u>-2.8%</u>
<b>Expenses:</b>					
Groundwater protection and preservation		<u>257,089</u>	<u>117,316</u>	<u>139,773</u>	<u>119.1%</u>
Total expenses		<u>257,089</u>	<u>117,316</u>	<u>139,773</u>	<u>119.1%</u>
Change in net position		(4,532)	142,508	(147,040)	-103.2%
Net position, July 1		<u>838,646</u>	<u>696,138</u>	<u>142,508</u>	<u>20.5%</u>
Net position, June 30	\$	<u>834,114</u>	\$ <u>838,646</u>	\$ <u>(4,532)</u>	<u>-0.5%</u>

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

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

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

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

At June 30, 2014, the Groundwater Authority's general fund reported a fund balance of \$826,643.

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2014**

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

**Revenues Classified by Source  
Governmental Funds**

Revenues by Source	FY 2014		FY 2013		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Contributions	\$ 244,222	99.6%	\$ 254,492	97.9%	\$ (10,270)	-4.0%
Interest	864	0.4%	5,332	2.1%	(4,468)	-83.8%
Total	<u>\$ 245,086</u>	<u>100.0%</u>	<u>\$ 259,824</u>	<u>100.0%</u>	<u>\$ (14,738)</u>	<u>-5.7%</u>

Contributions revenue decreased due to a reduction in the annual charge per member.

The following table presents expenditures by object class.

**Expenditures by Object Class  
Governmental Funds**

Expenditures by Object Class	FY 2014		FY 2013		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Office supplies	\$ 6,638	3.9%	\$ -	0.0%	\$ 6,638	0.0%
Professional services and fees	79,176	30.8%	13,894	11.8%	65,282	469.9%
County engineering and administrative services	171,275	66.6%	103,422	88.2%	67,853	65.6%
Total	<u>\$ 257,089</u>	<u>100.0%</u>	<u>\$ 117,316</u>	<u>100.0%</u>	<u>\$ 139,773</u>	<u>119.1%</u>

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

**General Fund Budgetary Highlights**

The fiscal year 2013-2014 Final Budget was adopted by the Groundwater Authority's Board of Directors on May 8, 2013.

**Sacramento Central Groundwater Authority  
Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2014**

**General Fund Budgetary Highlights (Continued)**

Other Professional Fees increased due to engineering costs being incurred on agricultural water demand updates, basin management objective threshold development and recharge mapping costs. While Other Professional Fees increased for the fiscal year 2013-14, the budget variance remains favorable.

Water Resources Services increased due to research and mapping projects being undertaken during the year. While Water Resources Services increased for the fiscal year 2013-14, the budget variance remains favorable.

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

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

The proposed means of financing the \$555,920 in budgeted expenditures for fiscal year 2014-15 includes member contributions totaling \$244,222 and AB303 grant proceeds in the amount of \$200,000. The remaining expenditures will be paid with residual balances in the fund.

**Request for Information**

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

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**Sacramento Central Groundwater Authority  
Statement of Net Position – Governmental Activities  
June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 853,400
Grants receivable	7,471
Prepaid insurance	1,528
Interest receivable from Sacramento County	<u>864</u>
Total Assets	<u>863,263</u>
<b>LIABILITIES</b>	
Warrants payable and accounts payable	<u>29,149</u>
Total Liabilities	<u>29,149</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 834,114</u></u>

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority**  
**Statement of Activities – Governmental Activities**  
**Year Ended June 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants and</u> <u>Contributions</u>	<u>Net Revenue /</u> <u>(Expense) and</u> <u>Change in</u> <u>Net Position</u>
<b>FUNCTIONS/PROGRAMS</b>			
Groundwater protection and preservation	\$ 257,089	\$ 251,693	\$ (5,396)
 Total Governmental Activities	 <u>\$ 257,089</u>	 <u>\$ 251,693</u>	 <u>\$ (5,396)</u>
 General revenues:			
Interest and other income			<u>864</u>
Total General Revenues			<u>864</u>
Change in Net Position			\$ (4,532)
 Net Position, July 1			 <u>838,646</u>
 Net Position, June 30			 <u>\$ 834,114</u>

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority  
Balance Sheet  
Governmental Fund  
June 30, 2014**

	<b>General Fund</b>
<b>ASSETS:</b>	
Cash and investments	\$ 853,400
Grants receivable	7,471
Prepaid insurance	1,528
Interest receivable from Sacramento County	864
Total Assets	\$ 863,263
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	
<b>LIABILITIES:</b>	
Warrants payable and accounts payable	29,149
 <b>DEFERRED INFLOWS:</b>	
Unavailable revenue	7,471
 <b>FUND BALANCE:</b>	
Nonspendable	1,528
Unassigned	825,115
Total Fund Balance	826,643
Total Liabilities, Deferred Inflows and Fund Balance	\$ 863,263

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

Total Fund Balance	\$ 826,643
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues earned but unavailable are not reported in the governmental funds	7,471
Net position of governmental activities	\$ 834,114

See accompanying notes to the basic financial statements.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

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

Basis of Presentation (Continued)

*Government-wide Financial Statements (Continued)*

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

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

*Fund Financial Statements*

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

The Groundwater Authority reports the following major governmental fund:

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

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

Basis of Accounting

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



**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

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

Basis of Accounting (Continued)

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

Contribution Revenue

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

Fund Balance

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

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

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

Minimum Fund Balance Policy

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

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

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

Cash and Investments

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

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Groundwater Authority's financial reporting process. The Groundwater Authority became subject to the following GASB Statements for the year ended June 30, 2014:

*Governmental Accounting Standard No. 65*

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for financial statements for periods beginning after December 15, 2012. This statement redefines the reporting of deferred outflows of resources and deferred inflows of resources that were previously reported as assets and liabilities in the financial statements.

**NOTE 2 – CASH AND INVESTMENTS**

The Groundwater Authority's cash and investment are held in the County Treasurer's pool. The County Treasurer's pool is not rated by credit rating agencies. At June 30, 2014, the Groundwater Authority's cash and investments held in the County Treasurer's pool totaled \$853,400. Additional information regarding the Pool, including the investment portfolio and related interest rate, custodial credit, credit and concentration of credit risks, is presented in Note 4 of the County's basic financial statements. The Groundwater Authority has not formally adopted an investment policy that addresses any of the risks previously noted.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

The Groundwater Authority uses County of Sacramento departments for other services, such as engineering, administrative, accounting, etc. Expenditures paid to the County of Sacramento during the year were \$171,275.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

**NOTE 4 – RISK MANAGEMENT**

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

SCGA deductibles and maximum coverage follows:

Coverage	Limits	Deductibles/SIR	Carrier	Effective Date	Policy Number or Memorandum Number
General Liability, Automotive, Public Officials Errors and Omissions	\$5,000,000 Each Occurrence and Aggregate  \$1,000,000 Damage to Rented Premises	\$1,000	Alliant Insurance Services, Inc.	9/29/2013– 9/29/2014	PAC 1000001 02

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

**NOTE 5 – FUTURE ACCOUNTING PRONOUNCEMENTS**

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

*Governmental Accounting Standard No. 68*

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective for financial statements for periods beginning after June 15, 2014. This statement’s objective is to improve financial reporting by state and local governmental pension plans. The Groundwater Authority has not determined its effect on the financial statements.

**Sacramento Central Groundwater Authority**  
**Notes to the Basic Financial Statements**  
**June 30, 2014**

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

*Governmental Accounting Standard No. 69*

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for financial statements for periods beginning after December 15, 2013. The objective of this statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. The Groundwater Authority has not determined its effect on the financial statements.

*Governmental Accounting Standard No. 71*

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for financial statements for periods beginning after June 15, 2014. This statement's objective is to address an issue regarding application of the transition provisions of *Statement No. 68, Accounting and Financial Reporting for Pensions*. The Groundwater Authority has not determined its effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**Sacramento Central Groundwater Authority**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2014**  
**General Fund**

	Budgeted amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Contributions	\$ 244,222	\$ 244,222	\$ 244,222	\$ -
Interest	2,000	2,000	864	(1,136)
<b>Total Revenues</b>	<b>246,222</b>	<b>246,222</b>	<b>245,086</b>	<b>(1,136)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Groundwater Protection and Preservation:</b>				
Business / conferences	1,000	1,000	-	1,000
Education & training	-	-	405	(405)
Insurance - Liability	6,000	6,000	6,106	(106)
Membership dues	5,000	5,000	100	4,900
Office supplies	400	400	-	400
Printing services	1,000	1,000	27	973
Accounting services	8,870	8,870	6,500	2,370
Legal services	5,000	5,000	1,627	3,373
Other professional services	325,000	325,000	72,199	252,801
GS contract management services	-	-	477	(477)
Administrative services	20,750	20,750	640	20,110
Water Resources services	182,900	182,900	169,008	13,892
<b>Total Expenditures</b>	<b>555,920</b>	<b>555,920</b>	<b>257,089</b>	<b>298,831</b>
Excess / (Deficiency) of Revenues Over / (Under) Expenditures	(309,698)	(309,698)	(12,003)	297,695
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>	<b>(309,698)</b>	<b>(309,698)</b>	<b>(12,003)</b>	<b>(297,695)</b>
FUND BALANCE, July 1	838,646	838,646	838,646	-
FUND BALANCE, June 30	<u>\$ 528,948</u>	<u>\$ 528,948</u>	<u>\$ 826,643</u>	<u>\$ (297,695)</u>

See accompanying notes to the required supplementary information

**Sacramento Central Groundwater Authority**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2014**

**Budget and Budgetary Accounting**

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

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

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

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



**OTHER REPORTS**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Sacramento Central Groundwater Authority (Groundwater Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Groundwater Authority's basic financial statements, and have issued our report thereon dated March 4, 2015. Our report included an emphasis of a matter paragraph regarding the Groundwater Authority's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Groundwater Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Groundwater Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Groundwater Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Groundwater Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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.

Vanninck, Trine, Day & Co. LLP

Sacramento, California  
March 4, 2015