YOLO SUBBASIN GROUNDWATER AGENCY

Audited Financial Statements and
Compliance Report

June 30, 2025 and 2024

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Compliance Report

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TABLE OF CONTENTS

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yolo Subbasin Groundwater Agency
Woodland, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major Special Revenue Fund of the Yolo Subbasin Groundwater Agency (the Agency), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major Special Revenue Fund of the Agency as of June 30, 2025 and 2024, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Yolo Subbasin Groundwater Agency
Woodland, California

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 June 18, 2026, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.

Richardson & Company, LLP

June 18, 2026

OVERVIEW

The Yolo Subbasin Groundwater Agency (Agency) was formed under a Joint Exercise of Powers Agreement on June 19, 2017 pursuant to the Joint Exercise of Powers Act, California Government Code §§ 6500 *et seq.* The California Legislature enacted the 2014 Sustainable Groundwater Management Act (SGMA), effective January 1, 2015, requiring the formation of a Groundwater Sustainability Agency for each of the regional subbasins in the State.

The Agency was formed for the purpose of acting as the Groundwater Sustainability Agency (GSA) for the Yolo Subbasin. The Agency is considered the exclusive GSA for the Yolo Subbasin.

The mission of the Agency is to provide a dynamic, cost-effective, flexible collegial organization to ensure compliance with SGMA within the Yolo Subbasin. Each of the member agencies and affiliated parties will have initial responsibility for groundwater management within their respective jurisdictional boundaries and the Agency serves as a coordinating and administrative role for developing the Groundwater Sustainability Plan (GSP). The Yolo Subbasin GSP was completed and adopted by the Board of Directors on January 24, 2022.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

The Agency maintains its accounting records in accordance with generally accepted accounting principles for a Special Revenue Fund of the governmental fund group as prescribed by the Government Accounting Standards Board. A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are either restricted or committed to expenditure for specified purposes. Agency's revenues are legally restricted under a joint powers agreement provided for under the California Government Code. The accounts of the Agency 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 the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories 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. The Agency's revenues are legally restricted for the purpose of managing the Yolo groundwater subbasin, so any residual amounts would be considered restricted fund balance.

The basic financial statements include the statements of net position/governmental fund balance sheets and the statements of activities/statements of revenues, expenditures, and changes in fund balance. Additionally, the schedules of revenues, expenditures, and changes in fund balance – budget to actual are included as required supplementary information on pages 20 and 21 of this report.

The Agency as a single governmental JPA presents its fund financial statements with its government-wide statements on the Statement of Net Position. Over time, increases or decreases in fund balance and net position may serve as a useful indicator of whether Agency's financial position is improving or deteriorating.

The statement of activities/statement of revenues, expenditures, and changes in fund balance reports all of the Agency's revenues and expenses/expenditures during the periods indicated. This statement reflects the operating activity as both a Special Revenue Fund and also converts to a statement of activities, if applicable. All changes in fund balance of the Special Revenue Fund 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 under the accrual basis in the statement of net position.

The schedule of revenues, expenditures, and changes in fund balance – budget to actual illustrates 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.

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 12 to 19 of this report.

CONDENSED STATEMENTS OF NET POSITION

For the fiscal years ended June 30, the following condensed comparative Statements of Net Position using a net position basis are presented:

Condensed Statements of Net Position

			2025 vs 2024			2024 vs 2023	
	2025	2024	Increase (Decrease)	% Change	2023	Increase (Decrease)	% Change
Current assets	$ 2,025,949	$ 1,733,327	$ 292,622	17%	$ 1,010,765	$ 722,562	71.5%
Total Assets	2,025,949	1,733,327	292,622	17%	1,010,765	722,562	71.5%
Current liabilities	630,654	685,879	(55,225)	-8%	95,892	589,987	615%
Total Liabilities	630,654	685,879	(55,225)	-8%	95,892	589,987	615%
Net Position							
Restricted for groundwater sustainability activities	1,395,295	1,047,448	347,847	33%	914,873	132,575	14%
Total Net Position	$ 1,395,295	$ 1,047,448	$ 347,847	33%	$ 914,873	$ 132,575	14%

FISCAL YEAR 2025 COMPARED TO FISCAL YEAR 2024

Current assets at the end of fiscal year 2025 consisted of cash and cash equivalents and prepaid assets. Current assets increased by $292,622 from the previous year. The increase is primarily due to not spending the expected District and consulting costs for project management and GSP consulting because of available grant funds and groundwater management expenses being less than expected.

Current liabilities of $630,654 decreased $55,225 from the previous year and include $82,621 due to City of Winters and $102,761 due to Dunnigan Water District as pass thru grant reimbursements, in addition to $9,857 due to Roosevelt Ranch and $7,800 due to Barrios Farms for pass thru grant reimbursements and $284,817 due to Yolo County Flood Control and Water Conservation District (the District), mainly to reimburse the District for program management and administration. The District is a related party that manages the projects and works for the Agency. The current liabilities also include $126,512 in expenses payable to consultants.

The restricted net position may be used to meet the Agency's ongoing obligations to member agencies and creditors. Restricted net position increased by $347,847. This increase was the result of revenue being greater than project expenses by $347,847 (due to grant funding reimbursements).

FISCAL YEAR 2024 COMPARED TO FISCAL YEAR 2023

Current assets at the end of fiscal year 2024 consisted of cash and cash equivalents, due from other governments and prepaid assets. Current assets increased by $722,562 from the previous year. The increase is primarily due to not spending the expected District and consulting costs for project management and GSP consulting because of available grant funds.

Current liabilities of $685,879 increased $589,987 from the previous year and include $571,230 due to Yolo County Flood Control and Water Conservation District (the District), mainly to reimburse the District for GSP consulting. The current liabilities also include $50,187 of project management expenses payable, mainly to GSP consultants.

The restricted net position may be used to meet the Agency's ongoing obligations to member agencies and creditors. Restricted net position increased by $132,575. This increase was the result of revenue being greater than project expenses by $132,575.

CONDENSED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

For the fiscal years ended June 30, the following condensed Statement of Activities are presented:

Condensed Statements of Changes in Net Position

			2025 vs 2024			2024 vs 2023	
	2025	2024	Increase (Decrease)	% Change	2023	Increase (Decrease)	% Change
Program revenues	$ 1,795,998	$ 807,519	$ 988,479	100%	$ 16,334	$ 791,185	0%
General Revenues	520,037	524,061	(4,024)	-1%	481,295	42,766	9%
Total Revenues	2,316,035	1,331,580	984,455	74%	497,629	833,951	168%
Total Expenses	1,968,188	1,199,005	769,183	64%	379,081	819,924	216%
Change in Net Position	347,847	132,575	215,272	162%	118,548	14,027	12%
Net position, beginning of year	1,047,448	914,873	132,575	14%	796,325	118,548	15%
Net position, End of Year	$ 1,395,295	$ 1,047,448	$ 347,847	33%	$ 914,873	$ 132,575	14%

ANALYTICAL REVIEW REVENUES

FISCAL YEAR 2025 COMPARED TO FISCAL YEAR 2024

The Agency's principal source of revenue is from dues contributions received from its member agencies. The total revenue received from this source for fiscal year 2025 was $2,316,035 and was $984,455 higher than in the previous year. Grant reimbursements from DWR's SGMA Implementation Grant accounted for

$1,791,403 of that revenue. The Agency charged agricultural well permit regulatory fees of $4,595, which has occurred since 2023 due to state regulatory changes requiring permit reviews. Investment earnings increased $3,133, which was due to the investment in the County of Yolo investment pool earning higher investment income due to market rate changes.

FISCAL YEAR 2024 COMPARED TO FISCAL YEAR 2023

The total revenue received from this source for fiscal year 2024 was $1,331,580 and was $833,951 higher than in the previous year. Grant reimbursements from DWR's SGMA Implementation Grant accounted for $799,655. Investment earnings increased $35,608, which was mainly due to the investment in the County of Yolo investment pool sustaining an unrealized increase and earning higher investment income due to market rate changes.

ANALYTICAL REVIEW EXPENSES

FISCAL YEAR 2025 COMPARED TO FISCAL YEAR 2024

Total operating expenses for fiscal year 2025 were $1,968,188, an increase of $769,183 over the previous year. This was primarily due to completing work and projects related to the SGMA Implementation Grant.

FISCAL YEAR 2024 COMPARED TO FISCAL YEAR 2023

Total operating expenses for fiscal year 2024 were $1,199,005, an increase of $819,924 over the previous year. This was primarily due to completing work and projects related to the SGMA Implementation Grant.

SPECIAL REVENUE AND CONDENSED BUDGETARY ANALYSIS

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

Condensed Schedule of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Fund

			2025 vs 2024			2024 vs 2023	
	2025	2024	Increase (Decrease)	% Change	2023	Increase (Decrease)	% Change
Total Revenues	$ 2,421,811	$ 781,186	$1,640,625	100%	$ 497,629	$ 283,557	0%
Total Expenses	1,968,188	1,199,005	769,183	64%	379,081	819,924	216%
Change in Net Position	453,623	(417,819)	871,442	-209%	118,548	(536,367)	-452%
Net position, beginning of year	497,054	914,873	(417,819)	-46%	796,325	118,548	15%
Net position, End of Year	$ 950,677	$ 497,054	$ 453,623	91%	$ 914,873	$ (417,819)	-46%

The changes in governmental fund revenues and expenses in the budget vs actual schedule are identical to the changes in the government-wide statements discussed on previous pages with the exception of grants receivable not received within 60 days of year-end being reported as deferred inflows of resources in the governmental fund and recognized in the following fiscal year.

ADMINISTRATIVE SERVICES EXPENSES

The Agency incurred administrative expenses from YCFC&WCD staff managing the agency, which resulted in actual expenses of $39,359, which was $34,359 more than budgeted for fiscal year 2024. The actual expenses increase in fiscal year 2025 was $16,599, which was $9,099 more than budgeted for fiscal year 2025. The increase in actual administrative expenses in fiscal years 2024 and 2025 was due to lack of appropriate planning for the distinction between administrative expenses and project management expenses.

PROJECT MANAGEMENT, LEGAL AND CONSULTING EXPENSES

Overall project management, legal fees, and consulting came in lower than budgeted in fiscal year 2024 by $184,265. Lower costs are the result of utilizing less District staff labor, legal, and consulting for project management and technical assistance than expected and a shift to working on the SGMA Implementation Grant and receiving reimbursement for that work from DWR.

Project management came in higher than budgeted in fiscal year 2025 by $13,266 due to not budgeting enough for project management expenses. Legal costs came in lower than budgeted by $1,329. Consulting came in lower than budgeted in fiscal year 2025 by $178,244. Lower costs are the result of utilizing less consulting for project management than expected and continuing to work on the SGMA Implementation Grant and receiving reimbursements for that work from DWR.

This work was performed by consultants and YCFC&WCD staff under funding through the Proposition 68 SGMA Implementation Grant through DWR.

MONITORING SENSORS AND CONSULTING SERVICES

The Agency's actual expenses for monitoring sensors incurred by the District agreed to the budget.

ACCOMPLISHMENTS

As stated in the JPA Agreement Article 5.11, following the 2-year anniversary of the Agreement effective date (June 19, 2017), the Board of Directors shall consider whether to recommend to the Members that the voting structure and/or expense allocation provisions should be modified in any respect. On April 22, 2019 the Agency Board of Directors voted to postpone reconsideration of the voting structure and expense allocation until after the Groundwater Sustainability Plan (GSP) was completed and submitted to the California Department of Water Resources. The YSGA submitted the Yolo Subbasin GSP by the January 31, 2022 deadline, and the Agency is still grappling with the best method for reconsidering the voting structure. Since submission of the 2022 Yolo Subbasin GSP, the YSGA has submitted four annual reports to DWR by the April 1 deadline.

On October 26, 2023, the DWR released its determination for the Yolo Subbasin GSP, approving the plan and recommending corrective actions to be implemented prior to the 2027 GSP Update.

In September 2023, the DWR announced the final funding recommendation for round 2 of their SGMA Implementation Grant Program and YSGA was awarded just over $7.9 million to complete projects that enhance groundwater sustainability efforts in the Yolo Subbasin.

In September 2024, the USBR announced the final funding recommendations for the WaterSMART Applied Science Grant Program and YSGA was awarded $400,000 to complete projects that enhance groundwater sustainability efforts in the Yolo Subbasin.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency Board adopted an annual budget for fiscal year 2025-2026 on May 19, 2025. The Board adopted fiscal year 2025-2026 budget amendments on March 23, 2026 to properly track and account for administrative charges as requested by the auditors. The YSGA has transitioned from an external bookkeeping consultant to contracting with the YCFC&WCD for financial support from the Finance Director, which has resulted in efficiencies and improved communication in the accounting process.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the Agency's finances and to demonstrate accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact the Yolo Subbasin Groundwater Agency, 34274 State Highway 16, Woodland, CA 95695 or yologroundwater.org.

YOLO SUBBASIN GROUNDWATER AGENCY

STATEMENTS OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEETS

June 30, 2025 and 2024

	2025			2024		
	Special Revenue Fund	Adjustments (Note F)	Statement of Net Position	Special Revenue Fund	Adjustments (Note F)	Statement of Net Position
ASSETS						
Current Assets						
Cash and investments	$1,054,467		$1,054,467	$ 932,580		$ 932,580
Due from other governments	970,210		970,210	799,655		799,655
Prepaid items	1,272		1,272	1,092		1,092
TOTAL ASSETS	$2,025,949		2,025,949	$1,733,327		1,733,327
LIABILITIES						
Current Liabilities						
Accounts payable	$ 160,454		160,454	$ 114,649		114,649
Due to other governments	470,200		470,200	571,230		571,230
TOTAL LIABILITIES	630,654		630,654	685,879		685,879
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	444,618	$ (444,618)		550,394	$ (550,394)	
TOTAL DEFERRED INFLOWS OF RESOURCES	444,618	(444,618)		550,394	(550,394)	
FUND BALANCE						
Fund balance:						
Nonspendable	1,272	(1,272)		1,092	(1,092)	
Restricted for groundwater sustainability activities	949,405	(949,405)		495,962	(495,962)	
TOTAL FUND BALANCE	950,677	(950,677)		497,054	(497,054)	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$2,025,949			$1,733,327		
NET POSITION						
Restricted for groundwater sustainability activities		1,395,295	1,395,295		1,047,448	1,047,448
TOTAL NET POSITION		$1,395,295	$1,395,295		$1,047,448	$1,047,448

The accompanying notes are an integral part of these financial statements.

YOLO SUBBASIN GROUNDWATER AGENCY

STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Special Revenue Fund	Adjustments (Note F)	Statement of Activities	Special Revenue Fund	Adjustments (Note F)	Statement of Activities
EXPENDITURES/EXPENSES						
Grant projects:						
Environmental/engineering/design	$1,063,917		$ 1,063,917	$ 296,178		$ 296,178
Component administration	233,329		233,329	24,483		24,483
Construction/implementation	227,696		227,696	423,836		423,836
Monitoring/assessment	112,567		112,567	584		584
Engagement/outreach	102,291		102,291	8,194		8,194
WaterSMART grant	51,819		51,819			
Administration:						
Project management	63,226		63,226	197,602		197,602
Legal	33,671		33,671	30,889		30,889
Services and supplies	26,134		26,134	26,159		26,159
Consulting	21,756		21,756	67,244		67,244
Other administration	16,599		16,599	39,359		39,359
Audit				7,800		7,800
Groundwater monitoring:						
Yolo County groundwater monitoring program	640		640	11,258		11,258
Groundwater Sustainability Plan related consulting				52,102		52,102
Well permit review	14,543		14,543	13,317		13,317
TOTAL EXPENDITURES/EXPENSES	1,968,188		1,968,188	1,199,005		1,199,005
PROGRAM REVENUES						
Grant revenue	1,897,179	$ (105,776)	1,791,403	249,261	$ 550,394	799,655
Well permitting regulatory fees	4,595		4,595	7,864		7,864
TOTAL PROGRAM REVENUES	1,901,774	(105,776)	1,795,998	257,125	550,394	807,519
NET PROGRAM EXPENSES	(66,414)	(105,776)	(172,190)	(941,880)	550,394	(391,486)
GENERAL REVENUES						
Member contributions:						
Rural	237,842		237,842	237,841		237,841
Municipal	160,000		160,000	160,000		160,000
Affiliates	65,170		65,170	65,170		65,170
Use of money and property	57,025		57,025	53,892		53,892
Integrated Regional Water Management fees				7,158		7,158
TOTAL GENERAL REVENUES	520,037		520,037	524,061		524,061
NET CHANGE IN FUND BALANCE	453,623	(453,623)		(417,819)	417,819	
CHANGE IN NET POSITION		347,847	347,847		132,575	132,575
Fund balance/net position, beginning of year	497,054	550,394	1,047,448	914,873		914,873
FUND BALANCE/NET POSITION, END OF YEAR	$ 950,677	$ 444,618	$1,395,295	$ 497,054	$ 550,394	$1,047,448

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Yolo Subbasin Groundwater Agency (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the Agency are described below.

Nature of Activities: The Agency was formed under a Joint Exercise of Powers Agreement on June 19, 2017, pursuant to the Joint Exercise of Powers Act, California Government Code §§ 6500 *et seq* for the purpose of acting as the Groundwater Sustainability Agency (GSA) for the Yolo Subbasin. The California Legislature enacted the 2014 Sustainable Groundwater Management Act (SGMA), effective January 1, 2015, requiring the formation of a Groundwater Sustainability Agency for the each of the regional subbasins in the State.

The Agency was formed for the purpose of acting as the Groundwater Sustainability Agency (GSA) for the Yolo Subbasin. The Agency is considered the exclusive GSA for the Yolo Subbasin.

The Agency's mission is to provide a dynamic, cost-effective, flexible collegial organization to ensure compliance with SGMA within the Yolo Subbasin. Each of the member agencies and affiliated parties will have initial responsibility for groundwater management within their respective jurisdictional boundaries and the Agency served in a coordinating and administrative role for developing the Groundwater Sustainability Plan (GSP). The Yolo Subbasin GSP was adopted by the Board of Directors on January 24, 2022.

The Agency's members and affiliated parties cited in the Agency's JPA agreement include:

Member agencies:

- City of Davis
- City of Winters
- Dunnigan Water District
- Madison Community Services District
- Reclamation District 150
- Reclamation District 537
- Reclamation District 765
- Reclamation District 999
- Yocha Dehe Wintun Nation
- Yolo County Flood Control and Water Conservation District
- City of West Sacramento
- City of Woodland
- Esparto Community Services District
- Reclamation District 108
- Reclamation District 307
- Reclamation District 730
- Reclamation District 787
- Reclamation District 1600
- Reclamation District 2035
- County of Yolo

Affiliated parties:

- California American Water Company – Dunnigan
- Environmental Party Representative
- Private Pumper Representative as appointed by the Yolo County Farm Bureau
- Colusa Drain Mutual Water Company
- University of California, Davis
- Rumsey Water Users Association

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency had no employees or capital assets as of June 30, 2025 and 2024. The Yolo County Flood Control and Water Conservation District provides administration and technical support to the Agency.

Basis of Presentation - Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including interest income, are presented as general revenues.

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 when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements and contributions. These revenues are recognized when all eligibility requirements have been met. When nonexchange revenues are received before eligibility requirements are met, they are reported as unearned revenues until earned.

The Agency had no noncurrent assets or liabilities and, therefore, the activities reported in the Special Revenue Fund also represent the amounts reported in the government-wide financial statements.

Basis of Presentation – Fund Financial Statements: The accounts of the Agency are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual funds are reported as separate columns in the fund financial statements. The Agency reports its activities in a Special Revenue Fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Grant funds and exchange revenue earned but not received are recorded as a receivable. Grant funds and exchange revenue received before the revenue recognition criteria have been met or not received within the availability period are reported as unearned revenues or deferred inflows, respectively.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term liabilities, expenditures related to claims and judgments and expenditures related to compensated absences are recognized to the extent they have matured and are payable from current financial resources. General capital asset purchases are reported as capital outlay expenditures and proceeds of debt are reported as other financing sources in governmental funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

The Agency's only major governmental fund is the Special Revenue Fund. The Special Revenue Fund is the general operating fund of the Agency and accounts for revenues restricted to providing groundwater sustainability activities of the Agency. The fund is charged with all costs of operations.

Revenue Recognition: The major source of revenue for the Agency is member contributions. The contributions from municipal members and affiliated parties is a flat amount approved by the Board, while the contributions by rural agencies is $.50 per acre.

Fund Balance: Governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which include prepaid expenses and long-term receivables. The Agency's nonspendable fund balance as of June 30, 2025 and 2024 is related to prepaid insurance and prepaid website maintenance.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. All of the Agency's fund balance was restricted under the JPA agreement as of June 30, 2025 and 2024. The Agency's restricted fund balance includes a Board designated cash reserve of $24,000 set aside to cover approximately three months of estimated expenditures. The reserve may go below this level if expenditures are approved by the Board in excess of revenues. The Board may allocate funds in excess of the policy in the following fiscal year.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is a Resolution of Board of Directors. These amounts cannot be used for any other purpose unless the governing body modifies or removes the fund commitment with another Resolution. The Agency had no committed fund balance at June 30, 2025 and 2024.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Agency had no assigned fund balance at June 30, 2025 and 2024.

Unassigned Funds – Unassigned fund balance is the residual classification of the Agency's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes. The Agency had no unassigned fund balance at June 30, 2025 and 2024.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget: The Board approves all budgeted revenues and expenditures for the Special Revenue Fund. Budgeted revenues and expenditures represent the original budget as approved by the Board and the final budget, which includes modifications of the original budget through amendments approved by the Board of Directors during the year. Budgetary control is maintained at the fund level. The budget may only be amended by the Board of Directors. The budget is presented on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of each fiscal year.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2025 and 2024:

	2025	2024
Cash and investments:		
Bank deposits	$ 261,698	$ 29,673
Investment in the County of Yolo investment pool	792,769	902,907
Total cash and investments	$ 1,054,467	$ 932,580

Investment Policy: All investments are made in accordance with Government Code, Section 53600, Chapter 4 – Financial Affairs. The Agency has contracted with the County of Yolo Chief Financial Officer to be the Auditor and Treasurer of the Agency. The Agency's Investment Policy Guidelines currently only allows investment of excess funds in the County of Yolo investment pool.

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, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2025 and 2024 the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 770 and 466 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Yolo investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law contains limitations on the amount that can be invested in any one issuer. All investments of the Agency are in the County pool, which contains a diversification of investments.

Custodial Credit Risk for Deposits: 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 the possession of an outside party.

NOTE B – CASH AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker- dealer) to a transaction, a government will not be able to recover the value of this investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2025 and 2024, the carrying amount of the deposits was $261,698 and $29,673, respectively, and the balance in financial institutions was $400,219 and $29,689, respectively. Of the balance in financial institutions, $150,219 at June 30, 2025, was not covered by federal depository insurance but was collateralized by securities pledged by the financial institution, but not in the name of the Agency. The entire balance in financial institutions at June 30, 2024 was covered by federal depository insurance.

Investment in County of Yolo Investment Pool: The Agency participates in the County of Yolo investment pool, which is managed by the Yolo County Treasurer. Funds deposited in the County pool are invested in accordance with the California State Government Code and the County investment policy. The County has established a financial oversight committee to monitor and review the management of funds maintained in the investment pool in accordance with Article 6, Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. On a quarterly basis, interest is allocated to participants based on average daily balances. Investments held in the County's investment pool are available on demand and are stated at fair value. The investments are available for withdraw on an amortized cost basis. Information regarding categorization of investments and other deposit and investment risk disclosures can be found in Yolo County's financial statements. The County of Yolo financial statements may be obtained by contacting the County Auditor Controller's office at 625 Court Street, Room 102, Woodland, CA 95695 or at yolocounty.org on the General Governments, Budget and Finance page.

NOTE C – INSURANCE

The Agency 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 and auto liability, public officials liability, and cybercrime liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained. The Agency 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 the ACWA/JPIA. The Agency's deductibles and maximum coverage at June 30, 2025 and 2024 were as follows:

NOTE C – INSURANCE (Continued)

The Agency's deductibles and maximum coverage at June 30, 2025 and 2024 were as follows:

June 30, 2025	ACWA/JPIA	Commercial Insurance	Deductible
General and auto liability (includes public officials liability, terrorism, disease, subsidence, lead and mold)	$ 5,000,000	$ 50,000,000	None
Cyber liability		$3,000,000 per member 5,000,000 in aggregate	$50,000 - $100,000

June 30, 2024	ACWA/JPIA	Commercial Insurance	Deductible
General and auto liability (includes public officials liability, terrorism, disease, subsidence, lead and mold)	$ 5,000,000	$ 50,000,000	None
Cyber liability		$2,000,000 per member 5,000,000 in aggregate	$75,000 - $100,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage and there have been no reductions in insurance coverage during the past three years.

NOTE D – RELATED PARTY TRANSACTIONS

As discussed in Note A, the Agency is composed of various member agencies that share common Board Members with the Yolo County Flood Control and Water Conservation District (the District). The District is a member agency that provides various administrative and technical services to the Agency under an administrative and technical services agreement. For the year ended June 30, 2025, the Agency reimbursed the District $650,485 for grant project work including grant administration, $640 for the groundwater monitoring program and $93,066 for administration and technical support, of which $284,817 was reported as due to other governments at June 30, 2025. For the year ended June 30, 2024, the Agency reimbursed the District $502,524 for grant project work including grant administration, $11,258 for the groundwater monitoring and $248,746 for administration and technical support, of which $571,230 was reported as due to other governments at June 30, 2024.

NOTE E – COMMITMENTS AND CONTINGENCIES

The Agency had the following contractual commitments outstanding as of or approved after June 30, 2025:

China Slough rehabilitation	$ 505,073
Administration and technical services	332,185
Modeling and technical support	283,575
WaterSMART grant model improvements	273,125
Database management	177,850
Addressing GSP corrective actions	119,263
Facilitation and outreach	71,485
Cost sharing agreement for modeling Dunnigan Area Groundwater Recharge Program	57,000
	$ 1,819,556

NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)

The GSP is subject to continuing review and approval by the State of California, which could result in additional unanticipated costs to comply with State requirements.

NOTE F – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for government activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net position.

The adjustments are as follows at June 30, 2025:

Fund balance - Total Governmental Fund	$ 950,677
Revenues that are deferred in the governmental fund because they are not current financial resources are recognized in the government-wide statements.	444,618
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,395,295

The adjustments are as follows at June 30, 2024:

Fund balance - Total Governmental Fund	$ 497,054
Revenues that are deferred in the governmental fund because they are not current financial resources are recognized in the government-wide statements.	550,394
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,047,448

Amounts reported for government activities in the governmental fund statement of revenues, expenditures, and changes in fund balances are adjusted to arrive at the statement of activities for government-wide presentation.

The adjustments are as follows at June 30, 2025:

Net change in fund balance - Total Governmental Fund	$ 453,623
Changes in deferred inflows of resources do not result in the receipt of current financial resources and are not reported in the governmental fund.	(105,776)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 347,847

The adjustments are as follows at June 30, 2024:

Net change in fund balance - Total Governmental Fund	$ (417,819)
Changes in deferred inflows of resources do not result in the receipt of current financial resources and are not reported in the governmental fund.	550,394
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 132,575

NOTE G – SUBSEQUENT EVENT – REGULATORY SGMA FEES APPROVED

The Agency was established in 2017 to manage groundwater resources within the Yolo Subbasin as required by California's Sustainable Groundwater Management Act (SGMA). Since its creation, the Agency has been funded through state grants (totaling over $10 million) and contributions from its 26 member agencies. However, SGMA requires groundwater agencies to become self-funded for their administrative, reporting, and management activities. In June 2025, the Agency initiated a Fee Study to develop a permanent funding mechanism that will ensure the YSGA can remain financially self-sufficient while distributing costs reasonably among all who benefit from sustainable groundwater management.

The Fee Study examined the Authority's operations and budgets, available technical data, and the diversity of groundwater users throughout the Yolo Subbasin to determine the most equitable fee structure. The fee will support critical regulatory activities to remain in compliance with SGMA, retain local control, and protect groundwater supplies for future generations. Examples of regulatory activities to be performed with fee funding include monitoring groundwater levels, conducting studies, annual reporting, and implementing non-construction projects and management actions. The Authority worked with Hansford Economic Consulting (HEC) and a wide variety of stakeholders to develop a fee structure that fairly accounts for different types of property ownership while ensuring the long-term sustainability of the Subbasin's groundwater resources.

As the GSA for a high priority basin, the Agency must regulate all water users in the Subbasin's boundaries. Under Article 15 of the JPA, the Agency is authorized to impose fees to fund its activities as provided in Chapter 8 of SGMA (commencing with section 10730 of the California Water Code). Water Code Sections 10730 and 10730.1 set forth the authority for the Authority to establish and charge regulatory SGMA fees. The proposed regulatory SGMA fee is to cover "reasonable costs" of the Authority's regulatory activities. The fee is proportional and related to the benefits of the program and is calculated to collect no more revenue than required to pay for the costs of the services Authority is providing.

In May 2026, the Board of Directors of the Agency approved regulatory SGMA fees to be charged during the year ended June 30, 2027. The fees will be charged in two tiers. Tier 1 fees apply to all parcels with a fee of $1.50 per parcel and $0.76 per acre and will fund Agency standing and continuity, Board of Director's meetings, public oversight and Agency administration. Tier 2 fees apply to all water users. Tier 2 domestic fees of $0.32 to $1.36 will be charged per person served, connection or per developed parcel and Tier 2 agricultural fees will be charged of $2.78 per districted acre and $7.94 per undistricted acre. The Tier 2 fees will fund groundwater accounting, hydrological characterization, the Yolo Subbasin Model, management area establishment, outreach and coordination, water supply resilience, and technical assistance.

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REQUIRED SUPPLEMENTARY INFORMATION

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YOLO SUBBASIN GROUNDWATER AGENCY

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Grant revenue	$ 1,702,920	$ 1,702,920	$ 1,897,179	$ 194,259
Member contributions:				
Rural	237,842	237,842	237,842	
Municipal	160,000	160,000	160,000	
Affiliates	65,170	65,170	65,170	
White areas	20,000	20,000		(20,000)
Use of money and property	12,000	12,000	57,025	45,025
Well permitting regulatory fees	10,000	10,000	4,595	(5,405)
TOTAL REVENUES	2,207,932	2,207,932	2,421,811	213,879
EXPENDITURES				
Current:				
Grant projects:				
Environmental/engineering/design			1,063,917	(1,063,917)
Component administration	1,688,063	1,688,063	233,329	1,454,734
Construction/implementation			227,696	(227,696)
Monitoring/assessment			112,567	(112,567)
Engagement/outreach			102,291	(102,291)
WaterSMART grant	14,857	14,857	51,819	(36,962)
Administration:				
Project management	50,000	50,000	63,226	(13,226)
Legal	35,000	35,000	33,671	1,329
Services and supplies	29,000	29,000	26,134	2,866
Consulting	200,000	200,000	21,756	178,244
Other administration	7,500	7,500	16,599	(9,099)
Audit	8,500	8,500		8,500
Groundwater monitoring:				
Yolo County groundwater monitoring program	90,000	90,000	640	89,360
Well permit review	25,000	25,000	14,543	10,457
TOTAL EXPENDITURES	2,147,920	2,147,920	1,968,188	179,732
NET CHANGE IN FUND BALANCE	$ 60,012	$ 60,012	453,623	$ 393,611
Fund balance, beginning of year			497,054	
FUND BALANCE, END OF YEAR			$ 950,677	

Note that the project management budget included administration.

The accompanying notes are an integral part of these financial statements.

YOLO SUBBASIN GROUNDWATER AGENCY

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Grant revenue			$ 249,261	$ 249,261
Member contributions:				
Rural	$ 237,842	$ 237,842	237,841	(1)
Municipal	160,000	160,000	160,000	
Affiliates	65,170	65,170	65,170	
White areas	20,000	20,000		(20,000)
Use of money and property	12,000	12,000	53,892	41,892
Well permitting regulatory fees	10,000	10,000	7,864	(2,136)
Integrated Regional Water Management fees		7,157	7,158	1
TOTAL REVENUES	505,012	512,169	781,186	269,017
EXPENDITURES				
Current:				
Grant projects:				
Environmental/engineering/design			296,178	(296,178)
Component administration			24,483	(24,483)
Construction/implementation			423,836	(423,836)
Monitoring/assessment			584	(584)
Engagement/outreach			8,194	(8,194)
Administration:				
Project management	260,000	260,000	197,602	62,398
Legal	20,000	20,000	30,889	(10,889)
Services and supplies	7,000	29,000	26,159	2,841
Consulting	200,000	200,000	67,244	132,756
Other administration	5,000	5,000	39,359	(34,359)
Audit	15,300	7,800	7,800	
Groundwater monitoring:				
Yolo County groundwater monitoring program	90,000	90,000	11,258	78,742
Groundwater Sustainability Plan related consulting	75,000	75,000	52,102	22,898
Well permitting review	10,000	10,000	13,317	(3,317)
Other project - Buckeye Creek	8,863	8,863		8,863
TOTAL EXPENDITURES	691,163	705,663	1,199,005	(493,342)
NET CHANGE IN FUND BALANCE	$ (186,151)	$ (193,494)	(417,819)	$ (224,325)
Fund balance, beginning of year			914,873	
FUND BALANCE, END OF YEAR			$ 497,054	

Note that the project management budget included administration.

The accompanying notes are an integral part of these financial statements.

COMPLIANCE REPORT

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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

To the Board of Directors
Yolo Subbasin Groundwater Agency
Woodland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major Special Revenue Fund of the Yolo Subbasin Groundwater Agency (the Agency), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated June 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Yolo Subbasin Groundwater Agency
Woodland, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 compliance and the results of that testing, and not to provide on the effectiveness of the Agency'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.

Richardson & Company, LLP

June 18, 2026