YOLO SUBBASIN GROUNDWATER AGENCY

Audited Financial Statements and
Compliance Report

June 30, 2021

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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 Financial Statements

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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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, 2021, and the respective changes in financial position thereof for the year 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated July 12, 2022 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 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 Agency's internal control over financial reporting and compliance.

Richardson & Company, LLP

July 12, 2022

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 statement of net position/governmental fund balance sheet and the statement of activities/statement of revenues, expenditures, and changes in fund balance. Additionally, the schedule of revenues, expenditures, and changes in fund balance – budget to actual is included as required supplementary information on page 16 of this report.

The Agency as a single governmental JPA presents their fund financial statements with their 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 illustrate the actual results compared to the legally adopted budget on a fund basis. The fund basis does not include depreciation expense and includes capital asset purchases as expenditures.

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 10 to 15 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:

	2021	2020	Increase (Decrease)	% Change
Current Assets	$ 885,161	$ 778,157	$ 107,004	14%
Total Assets	885,161	778,157	107,004	14%
Current Liabilities	109,247	24,282	84,965	350%
Total Liabilities	109,247	24,282	84,965	350%
Net position:				
Restricted for groundwater sustainability activities	775,914	753,875	22,039	3%
Total Net Position	$ 775,914	$ 753,875	$ 22,039	3%

FISCAL YEAR 2021 COMPARED TO FISCAL YEAR 2020

Current assets consisted of cash and cash equivalents, due from other governments and prepaid assets. Current assets increased by $107,004 from the previous year. The increase is primarily due to not spending the expected consulting costs for project management.

Current liabilities of $109,247 increased $84,965 from the previous year and include $85,278 due to Yolo County Flood Control and Water Conservation District (the District), mainly to reimburse the District for GSP consulting. The District is a related party that manages the projects and work for the Agency. The current liabilities also include $23,969 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 $22,039. This increase was the result of revenue being greater than project expenses by $22,039.

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:

	2021	2020	Increase (Decrease)	% Change
General Revenues	$ 466,782	$ 490,319	$ (23,537)	-5%
Total Expenses	444,743	206,218	238,525	116%
Change in Net Position	22,039	284,101	(262,062)	-92%
Net position, beginning of year	753,875	469,774	284,101	60%
Net position, end of year	$ 775,914	$ 753,875	$ 22,039	3%

ANALYTICAL REVIEW REVENUES

The Agency's principal source of revenue is from dues contributions received from its member agencies. The total revenue received from this source for the fiscal year was $462,842 and were $1,774 lower than in the previous year. Investment earnings decreased $21,763, which was mainly due to the investment in the County of Yolo investment pool sustaining an unrealized loss due to market rate changes.

ANALYTICAL REVIEW EXPENSES

Total operating expenses for the fiscal year were $444,743, an increase of $238,525 over the previous year. This was primarily for additional consulting and increased implementation costs incurred by the District for the GSP as it neared completion. This was offset by a reduction of Water Resources Association of Yolo County (WRA) administrative expenses of $26,469 due to the retirement of a WRA staff.

SPECIAL REVENUE AND CONDENSED BUDGETARY ANALYSIS

For the fiscal year ended June 30, 2021, the following condensed Budget to Actual Statements of Revenues, Expenditures, and Changes in Fund Balance are presented:

	Final Budget	Actual Amounts	Variance with Budget Positive (Negative)	% Difference
General revenues				
Member contributions	$ 482,842	$ 462,842	$ (20,000)	-4%
Use of money and property	5,000	3,940	(1,060)	-27%
Total Revenues	487,842	466,782	(21,060)	-5%
Expenditures				
Administration services				
Water Resource Association	85,000	82,348	2,652	3%
Yolo County groundwater monitoring program	42,064	42,064		0%
Project management	149,939	138,759	11,180	8%
Services and supplies	12,550	13,021	(471)	-4%
Legal	20,000	9,330	10,670	114%
Consulting services	205,061	159,221	45,840	29%
Total Expenditures	514,614	444,743	69,871	16%
Expenditures (over) under revenue	(26,772)	22,039	48,811	221%
Fund balance, beginning of year	753,875	753,875		0%
Fund balance, end of year	$ 727,103	$ 775,914	$ 48,811	6%

ADMINISTRATIVE SERVICES EXPENSES

The Agency incurs administrative expenses from WRA to manage the Agency. Total actual administrative costs were $2,652 lower than budgeted, largely due to a retirement of a WRA administrative staff. Administrative expenses are budgeted based upon the costs as needed under the Administrative Services Agreement with the WRA.

PROJECT MANAGEMENT, LEGAL AND CONSULTING EXPENSES

Overall project management, legal fees and consulting came in lower than budgeted by $67,690. Lower costs are the result of utilizing less District staff labor, legal and consulting for project management and technical assistance than expected to develop the GSP. This work was primarily performed by consultants under funding through the Proposition 1 planning grant from DWR previously.

MONITORING SENSORS AND CONSULTING SERVICES

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

ACCOMPLISHMENTS

On June 17, 2019, the Agency Board adopted an annual budget for fiscal years 2019-2020 and 2020-2021. This budget includes the addition of dues contributions from the new Reclamation District member agencies: 150, 307 and 999.

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) is completed and submitted to the California Department of Water Resources. The deadline for this submission was January 31, 2022, and the GSP was submitted prior to this deadline.

The YSGA launched a new website hosted by Streamline in January 2020. The new website design complies with all California Special District regulations and public transparency guidelines.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During fiscal year 2021-2022, it is expected that the DWR Proposition 1 GSP Planning Grant funds will be fully expended, which will result in an increase in costs for GSP-related consultant services. The fiscal year 2021-2022 budget total revenue is estimated as $1,412,082 with approximately $924,240 expected as fund balance. The total expenses are estimated as $446,064 with a projected net income estimated as $966,018.

In fiscal years 2021-2022 and 2022-2023, the YSGA will be working towards merging the WRA's efforts related to the Westside-Sacramento Integrated Regional Water Management (IRWM) Plan into the YSGA's scope of work. The WRA has pre-paid membership dues to the Westside-Sacramento IRWM through fiscal year 2022-2023. If the YSGA Board of Directors approves of the WRA merging with the YSGA, the YSGA will enter into an MOU with the Westside-Sacramento IRWM Coordinating Committee and the YSGA will commit to an annual $21,500 membership fee for participating in that process on behalf of the Yolo County water managers.

In fiscal year 2022-2023, the YSGA will work with member entities and project proponents to solicit, prioritize, and develop projects for grant funding opportunities. There will be an increase in consultant services related to this effort.

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 at yologroundwater.org.

YOLO SUBBASIN GROUNDWATER AGENCY

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2021

	Special Revenue Fund	Adjustments	Statement of Net Position
ASSETS			
Current Assets			
Cash and investments	$ 884,669		$ 884,669
Prepaid insurance	492		492
TOTAL ASSETS	$ 885,161		885,161
LIABILITIES			
Current Liabilities			
Accounts payable	$ 23,969		23,969
Due to other governments	85,278		85,278
TOTAL LIABILITIES	109,247		109,247
FUND BALANCE			
Fund balance:			
Nonspendable	492	$ (492)	
Restricted for groundwater sustainability activities	775,422	(775,422)	
TOTAL FUND BALANCE	775,914	(775,914)	
TOTAL LIABILITIES AND FUND BALANCE	$ 885,161		
NET POSITION			
Restricted for groundwater sustainability activities		775,914	775,914
TOTAL NET POSITION		$ 775,914	$ 775,914

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

YOLO SUBBASIN GROUNDWATER AGENCY

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

For the Year Ended June 30, 2021

	Special Revenue Fund	Adjustments	Statement of Net Position
EXPENDITURES/EXPENSES			
Administration services:			
Water Resource Association	$ 82,348		$ 82,348
Yolo County groundwater monitoring program	42,064		42,064
Project management	138,759		138,759
Consultant services	159,221		159,221
Services and supplies	13,021		13,021
Legal	9,330		9,330
TOTAL EXPENDITURES/EXPENSES	444,743		444,743
NET PROGRAM EXPENSES	444,743		444,743
GENERAL REVENUES			
Member contributions:			
Rural	237,842		237,842
Municipal	160,000		160,000
Affiliates	65,000		65,000
Use of money and property	3,940		3,940
TOTAL REVENUES	466,782		466,782
EXCESS OF REVENUES OVER EXPENDITURES	22,039	$ (22,039)	
CHANGE IN NET POSITION		22,039	22,039
Fund balance/net position, beginning of year	753,875		753,875
FUND BALANCE/NET POSITION, END OF YEAR	$ 775,914	$ -	$ 775,914

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 307
- Reclamation District 537
- Reclamation District 765
- Reclamation District 787
- Reclamation District 1600
- 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 730
- Reclamation District 785
- Reclamation District 827
- Reclamation District 999
- Reclamation District 2035
- Yolo County

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 (Joined Agency in September 2021)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to the agencies above, as described in Note D, the Agency and the Water Resources Association of Yolo County (WRA) have common board members and management. The Agency had no employees or capital assets as of June 30, 2021. The WRA and Yolo County Flood Control and Water Conservation District provide 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 deferred inflows or unearned revenues, 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. The Board of Directors approved budgeted contributions from "white areas" not included in the boundaries of member agencies, but no contributions were billed for these areas during the year ended June 30, 2021.

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, 2021 is related to prepaid insurance.

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, 2021. 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, 2021.

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, 2021.

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, 2021.

Budget: The Board approves all budgeted revenues and expenditures for the Special Revenue Fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021:

Cash and investments:	
Bank deposits	$ 15,959
Investment in the County of Yolo investment pool	868,710
Total cash and investments	$ 884,669

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 has no investment policy and 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, 2021 the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 408 days.

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. 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

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2021, the carrying amount of the deposits was $15,959 and the balance in financial institutions was $29,598, all of which 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 are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and auto liability (includes public officials liability)	$ 5,000,000	$ 50,000,000	None
Cyber liability		$5,000,000 per occurrence 5,000,000 in aggregate	$10,000 - $25,0(

The Agency continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the Agency is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage and there have been no reductions in insurance coverage.

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) and Water Resources Association of Yolo County (WRA).

The District is a member agency that provided various administrative and technical services to the Agency under an administrative and technical services agreement. For the year ended June 30, 2021, the Agency reimbursed the District $42,064 for the groundwater monitoring program and $233,820 for administration and technical support, of which $85,278 was reported as due to other governments at June 30, 2021.

The Water Resources Association of Yolo County (WRA) provides administrative services to the Agency under an administrative services agreement. For the year ended June 30, 2021, the Agency reimbursed the WRA $60,848 for administrative services, of which $143 was reported as accounts payable at June 30, 2021, and $21,500 for the Westside-Sacramento Integrated Regional Water Management Plan. The District provides office space free of charge to the WRA staff performing accounting services for the Agency. The WRA provides computer technology to the Agency under the agreement.

NOTE E – COMMITMENTS AND CONTINGENCIES

The Agency had the following contractual commitments outstanding as of June 30, 2021:

Yolo County Flood Control & Water Conservation District	$ 255,000
GEI Consultants	72,218
SEI Consultants	16,912
	$ 344,130

The Agency is eligible for the 2017 Proposition 1 Sustainable Groundwater Planning (SGWP) Grant from the California Department of Water Resources (DWR) for the purpose of developing a Groundwater Sustainability Plan (GSP). However, the Agency deferred administration of this grant to the District. The grant agreement amount will not exceed $1,000,000. Costs charged to the grant program are subject to audit and potential adjustment by the DWR. Therefore, to the extent that District has not complied with rules and regulation governing the grant could ultimately result in the Agency incurring direct costs to develop the GSP. In the opinion of the Agency management, the ultimate liability, if any, from any such audits are not expected to have a significant impact on the Agency's operations.

The Agency is responsible for developing a GSP for the Yolo Subbasin under the 2014 Groundwater Sustainability Act. 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.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on citizens, employees, vendors, and members, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain. One possible effect could be lack of the ability of certain members to pay member contributions if the pandemic were to continue for an extended period.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Member contributions:				
Rural	$ 257,842	$ 257,842	$ 237,842	$ (20,000)
Municipal	160,000	160,000	160,000	
Affiliates	65,000	65,000	65,000	
Use of money and property	5,000	5,000	3,940	(1,060)
TOTAL REVENUES	487,842	487,842	466,782	(21,060)
EXPENDITURES				
Current:				
Administration services:				
Water Resource Association	121,500	85,000	82,348	2,652
Yolo County groundwater monitoring program	42,064	42,064	42,064	
Project management	110,000	149,939	138,759	11,180
Services and supplies	12,550	12,550	13,021	(471)
Legal	20,000	20,000	9,330	10,670
Consulting services	100,000	205,061	159,221	45,840
TOTAL EXPENDITURES	406,114	514,614	444,743	69,871
NET CHANGE IN FUND BALANCE	$ 81,728	$ (26,772)	22,039	$ 48,811
Fund balance, beginning of year			753,875	
FUND BALANCE, END OF YEAR			$ 775,914	

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

COMPLIANCE REPORT

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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 12, 2022.

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 may exist that have not been identified.

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

July 12, 2022