

**Santa Rosa Plain Groundwater
Sustainability Agency**

Independent Auditor's Reports and
Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

**Santa Rosa Plain Groundwater Sustainability Agency
For the Fiscal Year Ended June 30, 2020**

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Independent Auditor's Report

Board of Directors
Santa Rosa Plain Groundwater
Sustainability Agency
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Rosa Plain Groundwater Sustainability Agency ("the GSA"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the GSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Santa Rosa Plain Groundwater Sustainability Agency as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the GSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the GSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GSA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pesenti & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
February 25, 2021

Santa Rosa Plain Groundwater Sustainability Agency
Statement of Net Position
June 30, 2020

Assets:

Current assets:

Cash and investments	\$ 432,278
Accounts receivable	<u>259,849</u>
Total current assets	<u>692,127</u>
Total assets	<u>692,127</u>

Liabilities:

Current liabilities

Accounts payable	<u>688,954</u>
Total current liabilities	<u>688,954</u>
Total liabilities	<u>688,954</u>

Net position:

Unrestricted	<u>3,173</u>
Total net position	<u>\$ 3,173</u>

The notes to the basic financial statements are an integral part of this statement.

Santa Rosa Plain Groundwater Sustainability Agency
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating revenues:	
Groundwater sustainability fees	\$ 134,885
Alternative plan contributions	228,228
Total operating revenues	363,113
 Operating expenses:	
Services and supplies	763,230
Total operating expenses	763,230
Operating loss	(400,117)
 Nonoperating revenues:	
Investment earnings	8,738
Intergovernmental revenue	349,298
Total nonoperating revenues	358,036
Change in net position	(42,081)
Net position, beginning of year	45,254
Net position, end of year	\$ 3,173

The notes to the basic financial statements are an integral part of this statement.

**Santa Rosa Plain Groundwater Sustainability Agency
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020**

Cash flows from operating activities	
Receipts of user fees and contributions	\$ 417,074
Payments to suppliers	<u>(386,674)</u>
Net cash provided by operating activities	<u>30,400</u>
Cash flows from noncapital financing activities	
Intergovernmental receipts	235,708
Cash flows from investing activities	
Interest received	<u>8,738</u>
Net increase in cash and cash equivalents	274,846
Cash and cash equivalents, beginning of the year	<u>157,432</u>
Cash and cash equivalents, end of the year	<u><u>\$ 432,278</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (400,117)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	53,961
Increase in accounts payable	<u>376,556</u>
Net cash provided by operating activities	<u><u>\$ 30,400</u></u>

The notes to the basic financial statements are an integral part of this statement.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note A. Summary of Significant Accounting Policies

Reporting Entity

The Santa Rosa Plain Groundwater Sustainability Agency (the Agency) was formed in June 2017 by a joint exercise of powers agreement (JPA) among the Sonoma and Gold Ridge Resource Conservation Districts; the cities of Cotati, Rohnert Park and Santa Rosa; the Town of Windsor; the County of Sonoma, and the Sonoma County Water Agency (Sonoma Water). In addition, the Independent Water Providers (comprised of mutual water companies and independently owned utilities) participate in the JPA through a Memorandum of Agreement. The Independent Water Providers collectively have a seat on the Agency's Board of Directors. The City of Sebastopol was admitted as a new JPA member in August 2019.

The Agency was formed to cooperatively carry out the requirements of the Sustainable Groundwater Management Act (SGMA), including serving as Groundwater Sustainability Agency (GSA) for the Santa Rosa Plain Groundwater Basin.

The Santa Rosa Plain Groundwater Basin was designated in Department of Water Resources Bulletin No. 118 as a medium priority basin. However, in 2019, the basin was reprioritized as high priority. For all medium and high priority basins, the SGMA requires the designation of a GSA for the purpose of achieving groundwater sustainability through the adoption and implementation of a Groundwater Sustainability Plan (GSP). The SGMA requires the formation of GSAs by June 30, 2017, and the adoption of GSPs by January 31, 2022.

The Agency is governed by a Board of Directors, with one Director from each of the nine member agencies and a Director representing the Independent Water Providers. In addition, the Agency has an advisory committee consisting of representatives from each member agency, and representatives from the local agricultural community, rural residential well owners, the local business community, environmental interests, the Federated Indians of Graton Rancheria, and the community at large. The Agency's operations are funded by groundwater sustainability fees payable by groundwater extractors.

During the fiscal year ended June 30, 2020, the Gold Ridge Resource Conservation District provided fiscal management services for the Agency; West Yost Associates provided administrative and management services; Sonoma Water provided grant application, grant management, outreach, communication, and technical services; the Collaboration and Consensus Program (College of Continuing Education, California State University, Sacramento) provided facilitation services.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities (whether current or noncurrent) associated with Agency operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note A. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Agency's Enterprise Fund financial statements report business-type activities financed in whole or in part by groundwater sustainability fees. Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges such as groundwater sustainability fees.

Operating revenues and expenses are distinguished from non-operating items in the statement of revenues, expenses and changes in net position. Operating revenues, such as member fees, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as investment earnings and grant revenues, result from non-exchange transactions or ancillary activities. Operating expenses for enterprise funds include services and supplies. All expenses not falling within these categories are reported as non-operating expenses.

Cash and Investments

For purpose of the statement of cash flows, the Agency has defined cash equivalents to include investments within the County of Sonoma treasury pool that are not restricted as to use. The Agency applies the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, which require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

Net Position Components

Net position consists of the following three components:

Net investment in capital assets (if any) - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position (if any) - This component of net position consists of net position with externally imposed limits on its use.

Unrestricted net position - This component of net position consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note A. Summary of Significant Accounting Policies (continued)

Groundwater Sustainability Fees and Alternative Plan Contributions

The 2017 joint powers agreement established member fees for the fiscal years ending June 30, 2018 and June 30, 2019.

Beginning July 2019, the Agency is funded by a groundwater sustainability fee based on the volume of groundwater pumped annually. In June 2019, the Board of Directors approved the Alternative Plan, under which only municipal water and other service providers pay the groundwater sustainability fee through the fiscal year ended June 30, 2022. To cover the costs of all groundwater users except municipal pumpers, the County of Sonoma and Sonoma Water contribute a combined annual total of up to \$240,000 annually.

Intergovernmental Revenue

Intergovernmental Revenue consists of a grant from the State of California. Revenue is recognized based on the terms of the grant agreement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note B. Cash and Investments

The Agency follows the County's practice of pooling cash and investments with the County Treasurer. Cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the Agency. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Investment Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's prorated share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis.

Amortized cost: \$429,787

Fair value: \$432,278

The Agency's fair value of the cash investment with the Treasurer is \$2,491 more than the amortized cost of those investments.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note B. Cash and Investments (continued)

Investment Guidelines

The Agency's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Suite 100, Santa Rosa, California, 95403-2871.

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 is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2020, approximately 36 percent of the securities in the Treasury pool had maturities of one year or less. Of the remainder, less than 1% had a maturity of more than five years.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2019-2020 Sonoma County Comprehensive Annual Financial Report.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note C. Accounts Receivable

As of June 30, 2020, the Agency has \$259,849 in accounts receivable related to grant funding. The Agency has not recorded an allowance for uncollectible receivables as it deems all receivables as fully collectible.

Note D. Groundwater Sustainability Fees and Alternative Plan Contributions

Groundwater sustainability fees and Alternative Plan contributions for the year ending June 30, 2020 were as follows:

<u>Agency</u>	<u>Groundwater Sustainability Fees</u>	<u>Alternative Plan Contributions</u>	<u>Total</u>
City of Cotati	\$ 5,252	\$ -	\$ 5,252
City of Rohnert Park	32,089	-	32,089
City of Santa Rosa	31,800	-	31,800
Town of Windsor	995	-	995
City of Sebastopol	52,977	-	52,977
County of Sonoma	-	200,000	200,000
Sonoma Water	11,772	28,228	40,000
Total	\$ 134,885	\$ 228,228	\$ 363,113

Note E. Risk Management

The Agency is exposed to various risks for which the Agency carries insurance with coverage for general liability, auto liability, and crime. Primary insurance is provided by Golden State Risk Management Authority and excess insurance by California State Association of Counties Excess Insurance Authority (CSAC-EIA) and the National Union Fire Insurance Company of Pittsburgh. Total coverage limits are \$250,000 for auto liability and general liability with \$0 deductible. Coverage limits for crime are \$10,000,000 per occurrence and \$5,000,000 per occurrence over \$10,000,000 with a \$2,500 deductible.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note F. Related Party Transactions

During the fiscal year ended June 30, 2020, member agencies provided \$513,575 in professional services. The Gold Ridge Resource Conservation District provided fiscal management services and Sonoma Water provided grant application, grant management, outreach, communication and technical services. Accounts payable due to Sonoma Water includes a prior year invoice.

Member	Services and Supplies	Accounts Payable
Gold Ridge Resource Conservation District	\$ 20,348	\$ -
Sonoma Water	493,227	605,689
Total	\$ 513,575	\$ 605,689



**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***

Independent Auditor's Report

Board of Directors
Santa Rosa Plain Groundwater
Sustainability Agency
Santa Rosa, 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 Santa Rosa Plain Groundwater Sustainability Agency ("the GSA"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the GSA's basic financial statements, and have issued our report thereon dated February 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the GSA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the GSA'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the GSA'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.

**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 (continued)**

Independent Auditor's Report (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GSA'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 GSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Piseri & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
February 25, 2021