

**Santa Rosa Plain Groundwater
Sustainability Agency**

Independent Auditor's Reports and
Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

**Santa Rosa Plain Groundwater Sustainability Agency
For the Fiscal Year Ended June 30, 2022**

Table of Contents

	Page
Independent Auditor’s Report	1-3
Basic Financial Statements:	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to the Basic Financial Statements.....	7-12
Compliance:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Santa Rosa Plain Groundwater Sustainability Agency (the GSA), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the GSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying basic financial statements referred to above present fairly, in all material respects, the financial position of the GSA's, as of June 30, 2022, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 GSA 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 GSA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

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 GAAS 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 GAAS 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 GSA'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 GSA'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

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.

Independent Auditor's Report (continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, 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.

Pisenti & Brinkman LLP

Santa Rosa, California
March 30, 2023

Santa Rosa Plain Groundwater Sustainability Agency
Statement of Net Position
June 30, 2022

Assets:

Current assets:

Cash and investments	\$ 265,309
Accounts receivable	<u>588,374</u>
Total current assets	<u>853,683</u>
Total assets	<u><u>853,683</u></u>

Liabilities:

Current liabilities

Accounts payable	<u>832,437</u>
Total current liabilities	<u>832,437</u>
Total liabilities	<u>832,437</u>

Net position:

Unrestricted	<u>21,246</u>
Total net position	<u><u>\$ 21,246</u></u>

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

Santa Rosa Plain Groundwater Sustainability Agency
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

Operating revenues:	
Alternative Plan contributions	\$ 240,000
Groundwater sustainability fees	109,313
Total operating revenues	<u>349,313</u>
Operating expenses:	
Services and supplies	<u>924,788</u>
Total operating expenses	<u>924,788</u>
Operating loss	<u>(575,475)</u>
Nonoperating revenues (expenses):	
Intergovernmental revenue	556,635
Investment earnings	(8,741)
Total nonoperating revenues, net	<u>547,894</u>
Change in net position	(27,581)
Net position, beginning of year	<u>48,827</u>
Net position, end of year	<u><u>\$ 21,246</u></u>

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

Santa Rosa Plain Groundwater Sustainability Agency
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Cash flows from operating activities	
Receipts of user fees and contributions	\$ 349,313
Payments to suppliers	<u>(617,837)</u>
Net cash used by operating activities	<u>(268,524)</u>
Cash flows from noncapital financing activities	
Intergovernmental receipts	<u>327,611</u>
Cash flows from investing activities	
Investment loss on change in fair value of investment pool	<u>(8,741)</u>
Net increase in cash and cash equivalents	50,346
Cash and cash equivalents, beginning of the year	<u>214,963</u>
Cash and cash equivalents, end of the year	<u><u>\$ 265,309</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (575,475)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	<u>306,951</u>
Net cash used in operating activities	<u><u>\$ (268,524)</u></u>
Non-cash investing, capital, and financing activities:	
Increase in grants receivable	<u><u>\$ 229,024</u></u>
	-

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

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 (the County), 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 (DWR) Bulletin No. 118 as a medium priority basin. 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. In December 2021, the Agency's Board of Directors adopted the GSP for the Santa Rosa Plain Groundwater Basin. The Agency submitted the GSP to DWR in January 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, 2022, 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.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 (treasury pool) that are not restricted as to use. The Agency applies the provisions of the Government Accounting Standards Board 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 on 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, 2022

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 was 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 and Sonoma Water contribute a combined 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 practice of pooling cash and investments with the Sonoma County Treasurer (Treasurer), who acts as a disbursing agent for the Agency. Interest earned on investments pooled with the Treasurer 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 basic 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.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 County investment policy is available upon request from the 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, 2022, approximately 30% 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 2021-2022 Sonoma County Annual Comprehensive Financial Report.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note B. Cash and Investments (continued)

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency has a fair value measurement for its investment in the Treasury Pool of \$265,309 which is valued using significant other observable inputs (Level 2).

Note C. Accounts Receivable

As of June 30, 2022, the Agency has \$588,374 in accounts receivable related to grant funding from the State of California. 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, 2022 were as follows:

<u>Agency</u>	<u>Groundwater Sustainability Fees</u>	<u>Alternative Plan Contributions</u>	<u>Total</u>
County of Sonoma	\$ -	\$ 200,000	\$ 200,000
Sonoma Water	-	40,000	40,000
City of Sebastopol	39,177	-	39,177
City of Rohnert Park	32,089	-	32,089
City of Santa Rosa	31,800	-	31,800
City of Cotati	5,252	-	5,252
Town of Windsor	995	-	995
Total	\$ 109,313	\$ 240,000	\$ 349,313

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 Public Risk Innovation, Solutions, and Management. Total coverage limits are \$250,000 for auto liability and general liability with \$0 deductible. Coverage limits for crime are \$25,000 with a \$2,500 deductible.

Santa Rosa Plain Groundwater Sustainability Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note F. Related Party Transactions

During the fiscal year ended June 30, 2022, member agencies provided \$552,915 in professional services. Sonoma Water provided grant application, grant management, outreach, communication, and technical services. Of the total professional services \$257,383 was owed as of June 30,2022.



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Rosa Plain Groundwater Sustainability Agency (the GSA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the GSA's basic financial statements, and have issued our report thereon dated March 30, 2023.

Report on 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)

Report on 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 "Presente & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California

March 30, 2023