

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**



**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2018**

<b>LIST OF DIRECTORS</b>	<b>1</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>STATEMENT OF NET POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>BALANCE SHEET – GOVERNMENTAL FUND</b>	<b>5</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>BUDGETARY COMPARISON SCHEDULE – GENERAL FUND</b>	<b>11</b>
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>12</b>
<b>OTHER REPORT</b>	
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>13</b>

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
LIST OF DIRECTORS  
YEAR ENDED JUNE 30, 2018**

<b>NAME</b>	<b>AGENCY</b>	<b>POSITION</b>
John Viegas	County of Glenn	Director
Pete Carr	City of Orland	Director
Gary Hansen	City of Willows	Director
George Nerli	Glide Water District	Director
John Amaro	Glenn-Colusa Irrigation District	Director
Charles Schonauer	Orland-Artois Water District	Director
Randy Hansen	Kanawha Water District	Director
Gary Enos	Princeton-Codora-Glenn Irrigation District/Provident Irrigation District	Director
Vince Minto	County of Glenn	Alternate
Bruce Roundy	City of Orland	Alternate
Evan Markey	City of Willows	Alternate
Leslie Nerli	Glide Water District	Alternate
Thaddeus Bettner	Glenn-Colusa Irrigation District	Alternate
Emil Cavagnolo	Orland-Artois Water District	Alternate
Wade Danley	Kanawha Water District	Alternate
Lance Boyd	Princeton-Codora-Glenn Irrigation District/Provident Irrigation District	Alternate
Ed Vonasek	City of Orland	Alternate
Andrea Jones	Orland-Artois Water District	Alternate

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Glenn Groundwater Authority  
Groundwater Sustainability Agency  
Willows, California

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

We have audited the accompanying financial statements of the governmental activities and the major fund, of the Glenn Groundwater Authority Groundwater Sustainability Agency (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Glenn Groundwater Authority Sustainability Agency, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison information, as listed in the 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.

Management has omitted the 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 basic 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 December 10, 2018 on our consideration of Glenn Groundwater Authority Groundwater Sustainability Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Glenn Groundwater Authority Groundwater Sustainability Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glenn Groundwater Authority Groundwater Sustainability Agency's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Roseville, California  
December 10, 2018

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**ASSETS**

Cash and investments	\$ 325,371
Interest Receivable	<u>1,494</u>
Total Assets	<u>326,865</u>

**LIABILITIES**

Accounts Payable	<u>24,594</u>
Total Liabilities	<u>24,594</u>

**NET POSITION**

Unrestricted	<u>302,271</u>
Total Net Position	<u><u>\$ 302,271</u></u>

*See accompanying Notes to Basic Financial Statements.*

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

**EXPENSES**

Professional Services	\$ 34,436
Administrative Support	59,599
Insurance	1,350
Total Expenses	95,385

**PROGRAM REVENUES**

Agency Contributions	395,307
Net Program Revenues (Expenses)	299,922

**GENERAL REVENUES**

Interest Income	2,349
Total General Revenues	2,349

**CHANGE IN NET POSITION**

302,271

Net Position - Beginning of the Year

-

**NET POSITION - END OF YEAR**

\$ 302,271

*See accompanying Notes to Basic Financial Statements.*

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2018**

**ASSETS**

Cash and investments	\$ 325,371
Interest Receivable	<u>1,494</u>
Total Assets	<u><u>\$ 326,865</u></u>

**LIABILITIES**

Accounts Payable	<u>24,594</u>
Total Liabilities	24,594

**FUND BALANCE**

Unassigned	<u>302,271</u>
Total Fund Balance	<u><u>\$ 302,271</u></u>

*See accompanying Notes to Basic Financial Statements.*



**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2018**

**REVENUES**

Agency Contributions	\$ 395,307
Interest Income	<u>2,349</u>
Total Revenues	<u>397,656</u>

**EXPENDITURES**

Professional Services	34,436
Administrative Support	59,599
Insurance	<u>1,350</u>
Total Expenditures	<u>95,385</u>

**CHANGE IN FUND BALANCE**

302,271

Fund Balance - Beginning of the Year

-

**FUND BALANCE - END OF YEAR**

\$ 302,271

*See accompanying Notes to Basic Financial Statements.*

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Glenn Groundwater Authority Groundwater Sustainability Agency (the Authority) was created by forming a Joint Exercise of Powers Agreement, signed by nine local agencies, with the purpose of being a Groundwater Sustainability Agency for the Glenn County portion of the Colusa Subbasin of the Sacramento Valley Groundwater Basin.

The State of California under the Sustainable Groundwater Management Act (SGMA) law requires all groundwater well users to live under a Groundwater Sustainability Plan developed by Groundwater Sustainability Agencies that must be completed by January 31, 2022 in non-critically over drafted basins. This Plan will require all groundwater well use to be sustainable for all parts of the basins throughout California, and will potentially require meters and records on groundwater use. Also, required will be a plan for recharging the aquifers if groundwater falls into an overdraft situation.

Glenn Groundwater Authority Member Agencies include:

- City of Orland
- City of Willows
- County of Glenn
- Glenn-Colusa Irrigation District
- Glide Water District
- Kanawha Water District
- Orland-Artois Water District
- Princeton-Codora-Glenn Irrigation District
- Provident Irrigation District

The basic financial statements present information on the financial activities of the Authority. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

**B. Basis of Presentation and Accounting**

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority.

The statement of activities demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

expenses. Program revenues include Agency contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead 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 incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental revenues. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Fund Financial Statements

The Authority is engaged in a single-governmental activity and has only a general fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (susceptible to accrual). Revenues are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

**C. Use of Estimates**

The preparation of basic 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. Accordingly, actual results could differ from those estimates.

**D. Fund Balances – Governmental Fund Financial Statements**

Beginning with the fiscal year 2018, the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.
- Restricted fund balance – amounts with constraints placed on their use by those external to the Authority, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Authority) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

- Assigned fund balance – amounts that are constrained by the Authority’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designed for that purpose.
- Unassigned fund balance – the residual classification that includes amounts not contained in the other classifications.

The Authority’s governing board establishes, modifies, or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, followed by unrestricted committed, assigned, and unassigned resources as they are needed.

**NOTE 2 CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 consisted of the following:

Cash in County Treasury	<u>\$325,371</u>
-------------------------	------------------

The Authority maintains all of its cash and investments with the County of Glenn in an investment pool. On a quarterly basis, the Department of Finance allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County’s financial statements. The County of Glenn’s financial statements may be obtained by contacting the County Glenn Department of Finance office at 516 W. Sycamore Street Willows, CA 95988.

GASB Statement No. 40 requires additional disclosures about a government’s deposits and investment risks that include credit risk, custodial risk, concentration risk, and interest rate risk. The Authority has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the Authority’s deposit and investment risks at June 30, 2018 were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	1.92 years

Investments held in the County’s investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

**NOTE 3 RELATED PARTY TRANSACTIONS**

The Authority’s staff is under contract by Glenn County. During the fiscal year ended June 30, 2018, the Authority paid these departments \$59,599 for administrative services.

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4    RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions and natural disasters. The Authority is covered from risk of loss by Golden State Risk Management.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Agency Contributions	\$ 395,307	\$ 395,307	\$ 395,307	\$ --
Grants	40,000	40,000	-	(40,000)
Use of money and property	--	--	2,349	2,349
<b>Total Revenues</b>	<u>435,307</u>	<u>435,307</u>	<u>397,656</u>	<u>(37,651)</u>
<b>Expenditures</b>				
Professional Services	82,000	82,000	34,436	47,564
Administrative Support	150,000	150,000	59,599	90,401
Insurance	1,800	1,800	1,350	450
Other	201,507	201,507	-	201,507
<b>Total Expenditures</b>	<u>435,307</u>	<u>435,307</u>	<u>95,385</u>	<u>339,922</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	302,271	302,271
Fund Balance - Beginning of the Year	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,271</u>	<u>\$ 302,271</u>

See accompanying Notes to Required Supplementary Information – Budget and Budgetary Reporting.

**GLENN GROUNDWATER AUTHORITY  
GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**NOTE 1 BUDGET AND BUDGETARY REPORTING**

The Authority prepares and legally adopts a final budget on or before June 30 of each fiscal year. The Authority operation, commencing July 1, is governed by the proposed budget, adopted by the Board of Directors in June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from, or changed only by Authority resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Authority.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchased commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object category levels of expenditures are as follows: salaries and benefits, services and supplies, and other charges.



## **OTHER REPORT**



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

Board of Directors  
Glenn Groundwater Authority  
Groundwater Sustainability Agency  
Willows, 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 Glenn Groundwater Authority Groundwater Sustainability Agency (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018.

**Internal Control Over Financial Reporting**

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

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

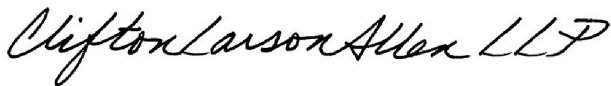
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority’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 internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’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.



**CliftonLarsonAllen LLP**

Roseville, California  
December 10, 2018