

**SACRAMENTO GROUNDWATER AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT  
and  
FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sacramento Groundwater Authority  
Sacramento, California

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

We have audited the accompanying financial statements of the governmental activities and special revenue fund of the Sacramento Groundwater Authority (the Authority) as of and for the year ended June 30, 2016, 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 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 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 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2016 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 the management's discussion and analysis and 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 November 28, 2016 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

### *Comparative Prior Year Information*

The June 30, 2015 amounts included in the financial statements were audited previously and the summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Richardson & Company, LLP*

November 28, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Sacramento Groundwater Authority (SGA) is a joint powers authority created to collectively manage, protect, and sustain the Sacramento region's north area groundwater basin, which includes all of Sacramento County north of the American River. The following discussion and analysis of the SGA financial performance provides an overview of the financial activities for the fiscal years ending June 30, 2016 and 2015. This discussion analysis should be read in conjunction with the financial statements, which can be found on pages 12 to 24 of this report.

### **Description of Basic Financial Statements**

SGA maintains its accounting records in accordance with generally accepted accounting principles for a special revenue fund type of the governmental fund group as prescribed by the Government Accounting Standards Board. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. SGA's revenues are legally restricted under a joint powers agreement provided for under the California Government Code. The accounts of SGA 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 SGA is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of the SGA's fund balances 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. Since SGA's revenues are legally restricted for the purpose of managing the Sacramento groundwater basin, any revenues would be considered a restricted fund balance.

The basic financial statements include governmental fund balance sheet/statement of net position and the statement of revenues, expenditures, and changes in fund balance/statement of activities. Additionally, the statement of revenues, expenditures, and changes in fund balance – budget to actual is included as required supplementary information on pages 25 to 26 of this report.

The statement of net position includes SGA as a special revenue fund with assets, liabilities and fund balance. Over time, increases or decreases in net position may serve as a useful indicator of whether SGA's financial position is improving or deteriorating.

The statements of revenues, expenditures, and changes in fund balance/statement of activities report all of SGA's revenues and expenditures/expenses during the periods indicated. This statement reflects the operating activity as both a special revenue fund and also converts to a statement of activity. All changes in net position 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 in the net position statement.

The statements 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.

The financial statements can be found on pages 12 to 13.

**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 14 to 24 of this report.

**Condensed Financial Information**

For the fiscal years ending June 30, the following condensed comparative balance sheets using a net position basis are presented:

	<u>2016</u>	<u>2015</u>
Other Assets	\$ 637,090	\$ 786,113
Capital assets, net	<u>7,643</u>	<u>11,965</u>
Total Assets	<u>\$ 644,733</u>	<u>\$ 798,078</u>
Liabilities	\$ 111,889	\$ 264,987
Net Position:		
Invested in capital assets	7,643	11,965
Restricted	<u>525,201</u>	<u>521,126</u>
Total Net Position	<u>\$ 532,844</u>	<u>\$ 533,091</u>

*Other Assets*

Other assets consisted of cash and cash equivalents, interest receivable and prepaid assets. Other assets decreased by \$149,023 from the previous year. The decrease is due to a reduction in receivables due from the Department of Water Resources for work completed on the AB303 grant and due to an expected reduction in cash used to pay program costs incurred by June 30, 2015 but paid by June 30, 2016.

*Capital Assets*

Net capital assets include office furniture, field and office equipment, and leasehold improvements, net of accumulated depreciation. The overall decrease in capital assets costs reflects depreciation for equipment.

*Liabilities*

Liabilities of \$111,889 have decreased \$153,098 from the previous year and include amounts due to vendors, and a payable to the Regional Water Authority (“RWA”). RWA is a related party that

manages the projects and work for SGA. Several members of SGA are also members of RWA. Liabilities decreased mainly due to payments to consultants for the AB303 grant in the amount of \$149,593. The current liabilities include \$90,659 due to the RWA for administrative service costs of which \$5,927 represents leasehold improvements costs that were acquired with RWA. These acquisition costs are amortized over the life of the office lease agreement in the form of rental expense reimbursement to RWA.

#### *Net Position Invested in Capital Assets*

Investment in capital assets net of accumulated depreciation totaled \$7,643 and decreased by \$4,322 due to depreciation of capital assets. Approximately 1% of net position is invested in capital assets.

#### *Restricted Net Position*

All of the assessment fee revenue received by SGA is considered restricted for the purpose of SGA as outlined in the Joint Powers Agreement (“Agreement”). The Agreement legally enforces SGA to use these funds to further the purpose of SGA in managing the groundwater basin. Any unused fees not previously allocated to capital assets, is considered restricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether SGA’s financial position is improving or deteriorating.

The restricted net position may be used to meet SGA’s ongoing obligations to member agencies and creditors. For fiscal year 2016, approximately \$380,400 of restricted net position has been designated for water program projects, for anticipated unfunded pension obligations, and for a general operating fund to mitigate current and future risks due to revenue shortfalls and unanticipated expenses. See Note 4 and 5 of Notes to Basic Financial Statements for the detail and types of fund balances and restricted net position.

**Condensed Schedule of Revenues, Expenses, and Changes in Net Position**

For the fiscal years ending June 30, the following condensed Statements of Revenues, Expenses and Changes in Net Position are presented:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	<u>Statement of Activities</u>	<u>Statement of Activities</u>
Program Revenue		
Assessment Income	\$ 604,492	\$ 521,400
Grant Awards	60,595	153,126
General Revenues	3,566	2,204
Total Revenue	<u>668,653</u>	<u>676,730</u>
Total Program Expenses	<u>668,900</u>	<u>716,435</u>
Decrease in Net Position	(247)	(39,705)
Net Position July 1	<u>533,091</u>	<u>572,796</u>
Net Position June 30	<u>\$ 532,844</u>	<u>\$ 533,091</u>

***Program Revenues***

SGA’s program revenues are substantially derived from available assessment fees and grant awards. Assessment fees are paid by members and are designed to fund the core SGA activities. Grants and incentives are awarded to SGA either from state, federal, or local agencies to fund water related projects.

*Analytical Review of Program Revenues*

As planned, assessment fees totaled \$604,500 and are approximately \$83,100 higher than in the previous year. SGA assessment fees are based upon two components: a groundwater fee and a base administrative fee formula, reflecting the member’s capacity to pump water. In fiscal year 2016, the groundwater fee was raised from \$4.10 to \$4.85 per acre foot, based upon a running five year average of historical volume, which was calculated as 70,093 acre-feet. The base administrative fee formula minimum fee was also raised from \$7,150 to \$8,000 per member. The connection fee was raised from ninety-two cents to \$1.05 per connection for connections greater than 6,000. The long-term goal is for base fees to achieve 40% coverage of costs.

State, federal and local government grants will vary from year to year based upon availability and applicability to member agencies. In March 2013, DWR announced results for another Local Groundwater Assistance Grant Program (AB 303) and awarded SGA a grant in the amount of \$225,000. Activity on this grant began in fiscal year 2015 and all eligible reimbursable expenses were completed in fiscal year 2016.



*General revenue*

General revenue of \$3,566 largely represents interest income.

*Program expenses*

Program expenses fall into two major categories: shared and direct administration expenses and project expenses. Administrative expenses pay for the baseline SGA strategy and activities.

*Analytical Review of Shared and Direct Expenditures*

Program expenses totaled \$668,900 and are \$47,535 less than the previous year's expenses of \$716,435. The decreased costs reflect reduced consulting costs in administration of the AB 303 grant and general program activities, and reduced legal costs which are offset by increased costs associated with the \$87,600 payment to RWA for unfunded pension plan obligations and for expected additional administrative expenses for SGA from RWA.

**Capital Assets**

Capital asset investment includes office furniture, office and field equipment and leasehold improvements as of June 30, 2016 and amounts to \$7,643 net of accumulated depreciation. Except for field equipment related specifically to SGA, capital asset acquisitions are co-owned with RWA and each authority pays 50% of the acquisition cost.

	<u>2016</u>	<u>2015</u>
Furniture	\$ 14,759	\$ 14,759
Equipment	19,505	26,476
Leasehold Improvements	<u>17,951</u>	<u>17,951</u>
Gross Capital Assets	52,215	59,186
Less accumulated depreciation and amortization	<u>(44,572)</u>	<u>(47,221)</u>
Capital Assets, net	<u><u>\$ 7,643</u></u>	<u><u>\$ 11,965</u></u>

Additional information on the furniture and equipment can be found in note 3 on page 20 of this report.

## Special Revenue Fund Condensed Budgetary Analysis

For the fiscal year ending June 30, 2016, the following condensed Budget to Actual Statements of Revenues, Expenditures, and Changes in Fund Balance are presented:

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
Program Revenues			
Assessment Income	\$ 604,500	\$ 604,492	\$ (8)
Grant Awards	100,000	153,126	53,126
Total Program Revenues	704,500	757,618	53,118
General Revenue - Interest and Other Income	1,400	3,566	2,166
Total Revenues	705,900	761,184	55,284
Expenditures			
Administrative Expenses	543,100	485,239	57,861
Office Expenses	55,400	41,568	13,832
Professional Fees	251,700	81,576	170,124
Capital Outlay and Equipment	3,900	2,927	973
Consulting Expenses - AB 303 Grant	100,000	53,268	46,732
Total Expenditures	954,100	664,578	289,522
Expenditures (Over) Under Revenue	(248,200)	96,606	344,806
Fund Balance, July 1, 2015	368,000	368,000	-
Fund Balance, June 30, 2016	\$ 119,800	\$ 464,606	\$ 344,806

SGA begins preparing the budgets approximately in February of the preceding fiscal year and finalizes and adopts the budget before the beginning of the new fiscal year. Overall, SGA's financial results were favorable compared to the expected budget by \$344,806. Significant budget versus actual variances are as follows.

### *Grant Awards*

In March 2013, DWR announced results for another Local Groundwater Assistance Grant Program (AB 303) and awarded SGA a grant in the amount of \$225,000. The \$225,000 grant award and corresponding consulting expenses started occurring in fiscal year 2015 and all eligible reimbursable expenses were paid in FY 2016. Staff is working with DWR to send in the final retention invoice and is expected to be reimbursed by the end of the calendar year 2016. The \$153,126 in grant awards recognized in fiscal year 2016 was a result of deferred revenues from fiscal year 2015 only recognized as revenues when received.

### *Administrative Expenses*

SGA does not have any staff and therefore incurs administrative expenses from RWA to manage SGA. Total expected administrative costs were \$57,861 lower than budgeted. A significant portion of this lower than expected budget is due to a lower allocation of the pension plan unfunded liability payment to SGA and the timing of this payment. SGA made an \$87,600 payment in fiscal year 2016 which had been planned for fiscal year 2015. SGA had also originally anticipated making an additional \$44,400 contribution in fiscal year 2016 which has been delayed. The unfunded pension liability is an obligation of RWA. However, SGA will share in this cost since SGA used administrative staff time that generated the unfunded pension liability. Administrative expenses are budgeted based upon costs from an allocation of administrative time under the Administrative Services Agreement with RWA.

### *Office Expenses*

Office expenses are shared 50/50 with RWA as part of the administrative services agreement. Overall, these costs were lower by \$13,832 than budgeted. Printing and supply costs were lower than expected and resulted in the largest contributor to lower costs. These expenses are carefully managed by RWA.

### *Professional Fees*

Overall consulting fees came in lower than budgeted. Lower costs of \$126,300 are the result of not using consultants as expected for monitoring water quality levels, grant application assistance, maintaining and improving the DMS, updating the GSP, regional contamination issues, and groundwater modeling. Some of these cost savings have been set aside to be used on these projects in the next fiscal year as discussed in Note 5. Additionally, legal costs and support services were lower than the budget and the previous year largely due to lower consulting support.

### *Capital Outlay and Equipment*

Capital outlay and equipment represents SGA's share in the cost of office and computer equipment which did not meet SGA's asset capitalization policy.

### *Consulting Expenses – AB 303 Grant*

The consulting expenses and related grant award expenses started occurring in fiscal year 2015. The total grant expenses for this project will approximate \$225,000, of which \$53,268 was incurred in fiscal year 2016. The grant program costs were completed in fiscal year 2016.

### **Economic factors and assumptions for fiscal year June 30, 2017**

SGA assessment fees continue to be based upon two components: a groundwater fee and a base administrative fee formula. A 13% increase in assessment fees was adopted for the fiscal year June 30, 2017 budget. Each member's specific fee change depends upon the changes in their water connections and groundwater pumping from the previous year.

Major budget assumptions used in adopting the June 30, 2017 budget include:

- 1) The proposed fee increase still results in an approximately \$133,500 negative cash shortfall that will be absorbed by designated and undesignated carry over funds from previous years. The expected CalPERS early unfunded liability payment of \$87,600 in March 2016 also helped to decrease carry over funds.
- 2) The fee calculations will continue to be based upon base fees plus groundwater fees. The base fees target objective is to cover 40% of costs, where groundwater fees are targeted to cover 60% of costs and is expected to be achieved over time once the accelerated pension plan payments are completed.
- 3) The minimum base administrative fee is \$9,000 plus \$1.17 per connection for connections over 6,000. The pumped groundwater fee per acre-foot is \$5.55 per acre foot. A five year trailing average of groundwater pumping is used to develop the groundwater fees for FY17.
- 4) SGA will continue to share 50/50 in the administrative costs incurred by RWA to run both organizations under the agreement between RWA and SGA for administrative and management services. Costs benefiting only RWA work will not be allocated to SGA. Likewise, costs benefiting only SGA will be paid by SGA.
- 5) Allocated staff salaries are within ranges assigned by a 2012 total compensation survey and reflect a possible 5% increase for merit (including COLA), plus 2% to compensate for the RWA employees picking up 2% of their PERS retirement contribution. By FY19, all employees will be paying their entire 7% portion of PERS.
- 6) In addition to sharing in 50% of non-WEP administrative staff time from RWA, SGA plans to continue to use 20% of RWA's project assistant. Total FTE count for SGA is proposed to be 2.2 FTEs.
- 7) Benefit costs also include projected increases for OPEB and health care, and a reduction of the 2% employer pick up of the employee portion of PERS retirement benefits (from 5% to 3%).
- 8) An \$87,600 payment to RWA (or CalPERS) was made in FY16 as a partial early payment of SGA's allocated unfunded liability. For FY17, an additional \$26,900 partial early payment of SGA's allocated unfunded liability is anticipated. The FY16 additional \$26,900 payment was delayed and is designated for future payment towards this liability.
- 9) Professional fees include public relations, accounting and legal. Legal fees have been higher in the past three years due to the CalPERS pension issues.
- 10) The SGA consulting budget reflects \$150,000 in out-sourced support activities including using consultants and retired annuitants for a review of the groundwater management report, monitoring water quality, grant application assistance, maintaining the data management system, regional contamination, and groundwater modeling. An additional \$58,300 in consulting fees will be designated from FY16 to be spent in FY17 on groundwater modeling.
- 11) In FY17, even with the proposed fee increase, it is anticipated that SGA revenues will be approximately \$133,500 less than expenses. The expenses in excess of revenues will be funded by designated and non-designated funds accumulated from previous years and from the operating fund.
- 12) The operating fund is projected to be approximately five months for FY17, which meets policy guidelines and helps buffer anticipated costs related to recently passed legislation.

The significant factors noted above were considered in preparing the SGA's budget for the fiscal year ending June 30, 2017.

## **Requests for Information**

This financial report is designed to provide a general overview of SGA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance and Administrative Services Manager, Regional Water Authority, 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**GOVERNMENTAL FUND BALANCE SHEETS /**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

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	June 30, 2016		June 30, 2015	
	Special Revenue Fund	Adjustments (Note 8)	Statement of Net Position	Statement of Net Position
<b>ASSETS</b>				
Cash and Investments	\$ 570,301	\$ -	\$ 570,301	\$ 628,692
Grants Receivables	60,595	-	60,595	153,126
Interest and Other Receivables	888	-	888	499
Prepaid Assets	5,306	-	5,306	3,796
Capital assets, net	-	7,643	7,643	11,965
Total Assets	\$ 637,090	7,643	644,733	798,078
<b>LIABILITIES</b>				
Accounts Payable	\$ 21,230	\$ -	\$ 21,230	\$ 167,814
Unavailable Revenue	60,595	(60,595)	-	-
Payable to Regional Water Authority	90,659	-	90,659	97,173
Total Liabilities	172,484	(60,595)	111,889	264,987
<b>FUND BALANCES</b>				
Fund balances				
Non-spendable	5,306	(5,306)	-	-
Restricted	459,300	(459,300)	-	-
Total Fund Balance	464,606	(464,606)	-	-
Total Liabilities and Fund Balances	\$ 637,090			
<b>NET POSITION</b>				
Invested in capital assets		7,643	7,643	11,965
Restricted		525,201	525,201	521,126
Total Net Position		\$ 532,844	\$ 532,844	\$ 533,091

**SACRAMENTO GROUNDWATER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE /**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	June 30, 2016		June 30, 2015	
	Special Revenue Fund	Adjustments (Note 8)	Statement of Activities	Statement of Activities
<b>REVENUES</b>				
Program Revenue				
Assessment Income	\$ 604,492	\$ -	\$ 604,492	\$ 521,400
Grant Awards	153,126	(92,531)	60,595	153,126
Total Program Revenue	757,618	(92,531)	665,087	674,526
General Revenue - Interest and Other Income	3,566	-	3,566	2,204
Total Revenue	761,184	(92,531)	668,653	676,730
<b>PROGRAM EXPENDITURES/EXPENSES</b>				
Shared and Direct Expenses:				
Wages and Salaries	268,156	-	268,156	251,808
Employee Benefits	210,202	-	210,202	121,355
Travel and Training	6,881	-	6,881	6,512
Rent	9,748	-	9,748	9,748
Insurance	12,043	-	12,043	11,871
Depreciation and Amortization	-	4,322	4,322	4,478
Capital outlay and equipment	2,927	-	2,927	2,401
Telephone	5,224	-	5,224	4,751
Dues and Subscriptions	4,089	-	4,089	4,082
Printing, Supplies and Postage	7,970	-	7,970	9,356
Computer Maintenance	2,494	-	2,494	2,634
Audit and Banking	10,794	-	10,794	9,745
Legal	15,841	-	15,841	31,942
Consultants	54,941	-	54,941	74,051
	611,310	4,322	615,632	544,734
Project Expenses:				
Consultants	53,268	-	53,268	171,701
	53,268	-	53,268	171,701
Total Program Expenditures/Expenses	664,578	4,322	668,900	716,435
<b>EXCESS OF REVENUES OVER PROGRAM EXPENDITURES</b>	96,606	-	-	-
<b>DECREASE IN NET POSITION</b>	-	(96,853)	(247)	(39,705)
<b>FUND BALANCES/NET POSITION</b>				
Beginning of the year	368,000	165,091	533,091	572,796
End of the year	\$ 464,606	\$ 68,238	\$ 532,844	\$ 533,091

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of reporting entity** – Sacramento Groundwater Authority (SGA) was formed under a Joint Exercise of Powers Agreement on July 1, 1998 to collectively manage the Sacramento region’s North Area Groundwater Basin, which includes all of Sacramento County north of the American River. SGA was created for the purposes of protecting, preserving, and enhancing the groundwater resources in the North Area Basin for current and future beneficial uses of all water users in SGA’s boundaries.

SGA is governed by a board comprised of a representative from each of the 14 governmental water suppliers and representatives of self-supplied groundwater users and agricultural users. The representatives are appointed by the JPA signatories and serve four-year terms.

**Types of funds** – SGA accounts for its financial position and results of operations in accordance with generally accepted accounting principles for governmental units. Accordingly, SGA uses governmental funds. SGA does not have any proprietary or fiduciary funds.

Governmental Fund Type:

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted for specified purposes.

**Basis of accounting** – The Special Revenue fund is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, financing sources are recognized when they become available and measurable. Expenditures and other financing uses are recognized as the related fund liabilities are incurred.

**Implementation of New Governmental Accounting Standards Board (GASB) Statements** – For the year ending June 30, 2016, SGA has adopted Governmental Accounting Standards Board (GASB) Statements as follows:

- a) GASB Statement No. 82 (“GASB No. 82), Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73 which requires reporting the presentation of covered payroll in the supplementary information schedules as the payroll on which contributions to a pension plan are based versus total payroll. Additionally, employer paid member contributions are to be recognized as expense in the period in which it is assessed and categorized as salary expense. Because SGA does not yet have its own pension plan, these required disclosures have not been made.
- b) GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments for the year ending June 30, 2016 prescribes the hierarchy of accounting rules for SGA to follow.



**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- c) GASB Statement No. 72, Fair Value Measurement and Application addresses accounting and financial reporting issues related to fair value measurements and requires additional disclosures about assets and liabilities measured at fair value. For the years ending fiscal years June 30, 2016 and 2015, SGA does not have any assets or liabilities which require fair value measurement.

For the year ending June 30, 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”) and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 was required to be adopted. SGA does not have a pension plan, but does have pension payment obligations to RWA. Because SGA does not have its own pension plan at this time, the required pension liability and disclosures have not been made.

**Governmental-wide financial statements** – The statements of net position and the statements of activities display information about SGA as a whole. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This presentation differs from the manner in which the governmental fund financial statements are prepared. Therefore, Note 8 details the adjustments with brief explanations to identify the major differences between the fund financial statements and the governmental-wide financial statements.

Net position is the difference between assets and liabilities. Net position invested in capital assets are furniture and equipment net of accumulated depreciation. Since SGA assessment fee revenue is restricted for the specific purpose of managing the Sacramento Groundwater Basin, all remaining net position is classified as restricted.

**Fund financial statements** – Fund financial statements present the special revenue fund of SGA. SGA is considered a special-purpose government and has elected to combine the fund financial statements and the government-wide statements and show the reconciliation from the fund financial statements to the government-wide statements in an adjustment column.

**Cash and Investments** – SGA participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities.

**Revenue recognition** – The major sources of revenue for SGA are assessments and grants. Each of the 14 member water districts, cities and service districts pays annual assessments to SGA. These assessments are based upon two components: a groundwater fee and a base administrative fee formula. The groundwater fee component is based upon a historical five-year running average of acre-feet of water pumped and was set at \$4.85 and \$4.10 per acre foot for the years ending June 30, 2016 and 2015. The base administrative fee was calculated based upon the number of connections

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

and was set at a minimum of \$8,000 and \$7,150 for the first 6,000 connections plus \$1.05 and ninety-two per connection for each connection after 6,000 for the years ending June 30, 2016 and 2015.

The accounting treatment for grant award revenue depends on whether it is reported in the government-wide or fund financial statements. In March 2013, SGA was awarded a state grant in the amount of \$225,000 from the California Department of Water Resources (DWR) to evaluate the potential threats to groundwater sustainability resulting from contamination. There was \$60,595 of eligible reimbursable costs during the fiscal year 2016 and is reflected as a grant receivable in the government-wide financial statements.

In the fund financial statements, these grant award revenues will only be recognized when available during the fiscal year. Until such time, the grant award revenues are reflected as a receivable and as unavailable revenue. For the year ending June 30, 2016, there was \$153,126 in grant award revenues recognized related to grant award revenues earned but not received at June 30, 2015.

**Unavailable Revenue** – In the fund financial statements, grant awards earned but not yet available are recorded as unavailable revenue under the modified accrual basis of accounting. SGA considers all revenues reported in the special revenue fund to be available if the revenues are collected within 90 days after year-end.

**Unearned Revenue** – In the government wide financial statements, the reimbursable grant awards are recognized as revenue when earned. In the government-wide statements, annual membership assessment fees received in advance of the next fiscal year, if any, are classified as unearned revenue.

**Related party** – Since SGA does not have any employees, SGA is managed by the Regional Water Authority (RWA). RWA was created in 1990 under another Joint Exercise of Powers Agreement. Many of the members of SGA are also members of the RWA. Under an Administrative Services Agreement, SGA and RWA are equally responsible for all common costs incurred to operate the joint office unless modified by specific agreements or by the annual budget adoption process.

During the fiscal years ending June 30, 2016 and 2015, SGA shared 50% of all common joint office costs including administrative personnel expenses. SGA incurred common cost expenses of \$556,278 and \$475,522, respectively. For the years ending June 30, 2016 and 2015, SGA owes RWA \$90,659 and \$97,173, respectively.

During the year ending June 30, 2012, RWA incurred leasehold improvements and office equipment expenses for an office remodel which are shared 50/50 with SGA. The shared cost for this office remodel was \$19,148. These costs are being amortized over the life of the lease as an offset to rent expense. The remaining unamortized balance, which is included in the payable to RWA, and the balance at June 30, 2016 and 2015, is \$5,927 and \$8,662, respectively. The balance of amounts due to RWA represents ongoing administrative expenses incurred by RWA to manage SGA.

**SACRAMENTO GROUNDWATER AUTHORITY**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances**

Governmental Accounting Standard Board's Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54") only apply to the fund financial statements.

GASB 54 requires reporting of fund balances that comprise a fund balance hierarchy based primarily on the extent to which the government is bound to observe obligations or commitments imposed upon the use of resources reported in governmental funds. Under GASB 54, there are five categories of fund balance: non-spendable, restricted, committed, assigned and unassigned.

*Non-spendable fund balance* – These balances cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The prepaid items recorded in SGA's balance sheet are not in spendable form as they are not expected to be converted to cash.

*Restricted fund balance* – These balances are externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law. Since SGA's revenues are legally restricted through the Joint Powers Authority Agreement for the purpose of managing the Sacramento groundwater basin, any revenues not classified as non-spendable would be considered a restricted fund balance. Consequently, SGA would not have any unassigned fund balances.

*Committed fund balance* – These balances can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, that remain binding unless commitments are removed in the same manner. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Since SGA's revenues are legally restricted, all fund balances other than non-spendable will be reflected as restricted.

*Assigned fund balance* – These balances are constrained by intent to be used for a specific purpose. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Assigned balances are typically spent first unless a specifically identified project has been committed or restricted within a fund balance. Since SGA's revenues are legally restricted, all fund balances other than non-spendable will be reflected as restricted.

The Board of Director's can vote to approve assigning or committing specific fund balances. See Notes 4 and 5 for additional information regarding fund balance.

**Capital assets** – The accounting treatment over property and equipment depends on whether they are reported in the government-wide or fund financial statements. In the government-wide statements, property and equipment are accounted for as capital assets. Property and equipment capitalized consist of office furniture, field equipment acquisitions and leasehold improvements capitalized at cost. Depreciation is computed and recorded by the straight-line method over the estimated useful life of five years. In the fund financial statements, capital asset acquisitions are reported as capital outlay expenditures. Depreciation is not provided for in the fund financial statement.

**SACRAMENTO GROUNDWATER AUTHORITY**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget** – SGA’s governing board must approve a budget within 90 days of July 1<sup>st</sup> and has satisfied these requirements. Any significant revisions to the budget would be approved by SGA’s governing board.

**Use of estimates in financial statements** – In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments in the statement of net position consist of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Deposits with Financial Institutions	\$ 11,826	\$ 23,014
Investments in LAIF	<u>558,475</u>	<u>605,678</u>
Total cash and investments	<u>\$ 570,301</u>	<u>\$ 628,692</u>

**Investments Authorized by SGA’s Investment Policy**

SGA’s investment policy authorizes investments in the local government investment pool administered by the State of California (LAIF). The investment policy does not contain any specific provisions intended to limit SGA’s exposure to interest rate risk, credit risk and concentration of credit risk.

**Disclosures Relating to 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, an investment’s sensitivity to the changes in market interest rates increases as the length of maturity increases. At June 30, 2016 and 2015, the average maturity of the investments contained in the LAIF investment pool was approximately 167 and 239 days, respectively.

**Disclosures Relating to Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. SGA has 98% of its cash invested in LAIF.

**SACRAMENTO GROUNDWATER AUTHORITY**  
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**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

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 possession of an outside party. The California Government Code and SGA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the California Government Code section 53652 which 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.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF. At June 30, 2016 and 2015, SGA's bank balances were \$11,826 and \$23,216, respectively. The FDIC's basic insurance limit is \$250,000 per depositor.

**Investment in State Investment Pool**

SGA is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by state statute. The fair value of the investment in this pool is reported in the accompanying financial statements at amounts based upon SGA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are reported on an amortized cost basis. Total fair value of all public agencies invested in LAIF at June 30, 2016 and 2015 was \$75,442,588,513 and \$69,641,162,418, respectively. For information on the types of investments made by LAIF, refer to the State of California Treasurer's separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer's website at [www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp).

**NOTE 3 – PROPERTY AND EQUIPMENT**

Fixed assets, consisting of furniture, equipment and leasehold improvements in excess of \$2,500 per unit, with useful lives of more than one year are stated at historical cost and are included in the financial statements. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. SGA provides for depreciation using the straight-line method over the estimated useful lives of the assets, which is five years. Leasehold improvements are amortized over the remaining life of the lease.

**SACRAMENTO GROUNDWATER AUTHORITY**  
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**NOTE 3 – PROPERTY AND EQUIPMENT (CONTINUED)**

A summary of the furniture and equipment at cost is as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Furniture	\$ 14,759	\$ -	\$ -	\$ 14,759
Equipment	26,476	-	(6,971)	19,505
Leasehold Improvements	17,951	-	-	17,951
<b>Total</b>	<b>59,186</b>	<b>-</b>	<b>(6,971)</b>	<b>52,215</b>
Less accumulated depreciation	(47,221)	(4,322)	6,971	(44,572)
<b>Fixed Assets, Net</b>	<b>\$ 11,965</b>	<b>\$ (4,322)</b>	<b>\$ -</b>	<b>\$ 7,643</b>

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Furniture	\$ 14,759	\$ -	\$ -	\$ 14,759
Equipment	26,476	-	-	26,476
Leasehold Improvements	17,951	-	-	17,951
<b>Total</b>	<b>59,186</b>	<b>-</b>	<b>-</b>	<b>59,186</b>
Less accumulated depreciation	(42,743)	(4,478)	-	(47,221)
<b>Fixed Assets, Net</b>	<b>\$ 16,443</b>	<b>\$ (4,478)</b>	<b>\$ -</b>	<b>\$ 11,965</b>

**NOTE 4 – SPECIAL REVENUE FUND BALANCE**

The fund balance consists of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Non-spendable - prepaid assets	\$ 5,306	\$ 3,796
Restricted	459,300	364,204
<b>Total Fund Balance</b>	<b>\$ 464,606</b>	<b>\$ 368,000</b>

**SACRAMENTO GROUNDWATER AUTHORITY**  
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**NOTE 4 – SPECIAL REVENUE FUND BALANCE (CONTINUED)**

Restricted

Since SGA’s fee revenues are restricted for the specific purpose of managing the Sacramento Groundwater Basin under the joint powers agreement, any fund balance not previously allocated to non-spendable will be classified as restricted for that purpose.

Annually, the Board approves an operating stabilization amount during the budget process, designed to be used for working capital needs, budget contingencies, and partnership grant opportunities. See note 5 for additional information regarding this operating stabilization balance.

**NOTE 5 – STATEMENT OF NET POSITION – RESTRICTIONS AND DESIGNATIONS**

Restrictions

SGA’s statement of net position consists of two components: investments in capital assets and restricted net position. Since SGA’s fee revenues are restricted for the specific purpose of managing the Sacramento Groundwater Basin under the joint powers agreement, any net position not previously allocated to investments in capital assets are considered restricted. This restricted net position is to be used for the purpose of managing the groundwater basin.

Designations

During the fiscal year ending June 30, the Board of Directors approved designations as follows:

Designations

	2016	2015
Operating Fund	\$ 295,200	\$ 283,900
Groundwater Modeling	58,300	18,300
Administrative Overhead	26,900	99,000
Monitor Water Quality	-	11,600
Regional Contamination	-	20,000
	\$ 380,400	\$ 432,800

On an annual basis, the SGA Board approves an operating stabilization balance during the budget process and follows policy Financial Commitment and Assignment Fund Policy No. 400.2. The target operating fund balance is four to six months of operating expenses. The

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**NOTE 5 – STATEMENT OF NET POSITION – RESTRICTIONS AND DESIGNATIONS (CONTINUED)**

operating balance can be used for working capital needs, budget contingencies, and partnership grant opportunities. The June 30 year-end target balance is modified and approved as part of the adoption of the following fiscal year's budget and reflects six months of operating expenses. Typically, SGA approves the following fiscal budget in April or June which then approves and adopts any modifications to the current fiscal year's operating reserve.

At the April 14, 2016 Board meeting, the board approved designating \$58,300 in unused budgeted funds for the work of groundwater modeling that will occur in fiscal year 2017. The Board also designated a total of \$26,900 for estimated future administrative overhead costs associated with accelerated funding of RWA's unfunded pension liability. These costs represent SGA's estimated allocated share of administrative management pension overhead costs which SGA is obligated to pay based upon the administrative services agreement between the two authorities.

**NOTE 6 – RETIREMENT COMMITMENTS**

SGA does not have employees and therefore does not have any retirement commitments for the years ending June 30, 2016 and 2015. SGA is administratively managed by RWA. RWA contracts with CalPERS administration of the pension plan for RWA employees. Retirement contributions made by RWA may be considered an allocable cost to SGA under the Administrative Services Agreement as SGA is responsible for its pro-rata share of administrative overhead. See footnotes in the RWA financial statements for further retirement commitment disclosures available from the Finance and Administrative Services Manager, Regional Water Authority, 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610. Also see Note 10, commitments and contingencies.

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS**

SGA does not have employees, but does pay for administrative services and related overhead provided by RWA, which includes any costs related to other post-employment benefits. Other post-employment benefit obligations of RWA may be considered an allocable cost to SGA under the Administrative Services Agreement since SGA has agreed to pay for its pro-rata share of administrative overhead. RWA pays for postemployment benefits other than pensions ("OPEB"). See footnotes in the RWA financial statements for further OPEB disclosures.

**NOTE 8 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

The governmental fund balance sheet for June 30, 2016 is converted to the statement of net position by recording capital assets of \$7,643 net of accumulated depreciation. Additionally, \$60,595 in unavailable revenue is eliminated by recording related grant award income.



**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 8 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES (CONTINUED)**

For the year ending June 30, 2016, the statement of revenues, expenditures, and changes in fund balances is converted to the statement of activities by recording depreciation and amortization expenses of \$4,322. Additionally grant award income recognized in the special revenue fund of \$153,126 is eliminated since it was previously recognized in the prior year in the June 30, 2015 statement of revenues, expenditures and changes in fund balance. Instead, grant award income of \$60,595 is recognized to reflect the fiscal year 2016 earned grant award income.

**NOTE 9 – INSURANCE**

SGA 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 liability, public officials’ liability, property damage, and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level.

SGA 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 ACWA/JPIA.

SGA’s deductibles and maximum coverage are as follows:

<u>Coverage</u>	<u>ACWA/JPIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
General and Auto Liability	\$2,000,000	\$58,000,000	None
Public Officials Liability	2,000,000	58,000,000	None
Property Damage	100,000	150,000,000	\$1,000 - \$25,000
Fidelity Insurance	100,000	-	\$1,000

Claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 10 – CONTINGENCIES**

SGA participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that SGA has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of SGA’s management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**SACRAMENTO GROUNDWATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**NOTE 10 – CONTINGENCIES (CONTINUED)**

In March 2013, RWA was selected for a routine compliance audit by CalPERS' Office of Audit Services ("OAS") to evaluate compliance with pensionable payroll reporting and member enrollment processes for the period of April 1, 2010 to March 31, 2013. Consistent with its Administrative Services Agreement with SGA, RWA reported all pensionable compensation paid to RWA's employees to CalPERS. However, OAS' draft compliance audit report, dated June 12, 2013 ("Draft Report"), found that the time spent by RWA employees on behalf of SGA under the direction of the SGA Executive Director was in fact time performed as common law employees of SGA rather than RWA. As such, OAS determined that RWA has been erroneously reporting RWA staff time allocated to administering SGA, and the pensionable compensation paid for such time ("SGA Time"), under RWA's contract with CalPERS. While RWA disagreed with OAS' finding as contrary to existing legal authority, the CalPERS' Board of Administration disagreed with RWA's arguments and finalized the Draft Report on May 29, 2015 with the same finding. In order to fulfill employment obligations to existing employees and retired annuitants, the RWA and SGA boards determined that it would be in the best interests of the affected employees and retired annuitants for SGA to establish a contract with CalPERS for pension benefits. It is anticipated that the assets and liabilities associated with the SGA time will be allocated from the RWA contract to the SGA contract, resulting in a reduction in pension liability for RWA and recognizing a pension liability for SGA.

SGA has not recorded a GASB 68 pension liability for this contingency because a contractual obligation does not exist with CalPERS at June 30, 2016. The amount of any liability that might result will be determined once the contracting process is completed and actuarial reports are compiled. SGA will likely reflect an unfunded liability in its financial records even after paying \$87,600 towards the unfunded liability for the year ending June 30, 2016. SGA's net pension liability is estimated at 39% of the \$346,165 RWA liability or approximately \$135,000 at June 30, 2016. The deferred inflow related to pensions is estimated at June 30, 2016 is \$123,200 based upon an allocation range of 39% of RWA's recorded deferred inflow. The deferred outflow related to pension is estimated at \$24,900.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SACRAMENTO GROUNDWATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Program Revenues			
Assessment Income	\$ 604,500	\$ 604,492	\$ (8)
Grant Awards	100,000	153,126	53,126
Total Program Revenues	704,500	757,618	53,118
General Revenue - Interest and Other Income	1,400	3,566	2,166
Total Revenues	705,900	761,184	55,284
<b>PROGRAM EXPENDITURES</b>			
Wages and Salaries	266,300	268,156	(1,856)
Employee Taxes and Benefits	266,400	210,202	56,198
Travel and Training	10,400	6,881	3,519
Rent	12,500	9,748	2,752
Insurance	12,500	12,043	457
Telephone	5,700	5,224	476
Dues and Subscriptions	3,900	4,089	(189)
Printing and Supplies	14,500	6,417	8,083
Postage	1,600	1,333	267
Computer Maintenance	3,600	2,494	1,106
Meetings	1,100	220	880
Audit	10,800	9,913	887
Legal Counsel Expense - General	40,000	15,841	24,159
Payroll and Banking Services	1,000	881	119
Capital Outlay and Equipment	3,900	2,927	973
Consulting Expenses - General Support Services	40,000	21,349	18,651
Consulting Expenses - Program Management	159,900	33,592	126,308
Consulting Expenses - AB 303 Grant	100,000	53,268	46,732
Total Expenditures	954,100	664,578	289,522
<b>(DEFICIENCY) EXCESS REVENUE</b>			
<b>OVER PROGRAM EXPENDITURES</b>	(248,200)	96,606	344,806
Fund Balance, July 1, 2015	368,000	368,000	-
Fund Balance, June 30, 2016	\$ 119,800	\$ 464,606	\$ 344,806

**SACRAMENTO GROUNDWATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Program Revenues			
Assessment Income	\$ 521,500	\$ 521,400	\$ (100)
Grant Awards	125,000	-	(125,000)
Total Program Revenues	<u>646,500</u>	<u>521,400</u>	<u>(125,100)</u>
General Revenue - Interest and Other Income	1,600	2,204	604
Total Revenues	<u>648,100</u>	<u>523,604</u>	<u>(124,496)</u>
<b>PROGRAM EXPENDITURES</b>			
Wages and Salaries	248,500	251,808	(3,308)
Employee Taxes and Benefits	219,800	121,355	98,445
Travel and Training	8,250	6,512	1,738
Rent	12,500	9,748	2,752
Insurance	12,500	11,871	629
Telephone	5,500	4,751	749
Dues and Subscriptions	3,850	4,082	(232)
Printing and Supplies	10,000	7,887	2,113
Postage	1,550	1,246	304
Computer Maintenance	3,000	2,634	366
Meetings	1,100	223	877
Audit	9,000	8,975	25
Legal Counsel Expense - General	30,000	31,942	(1,942)
Payroll and Banking Services	1,400	770	630
Capital Outlay and Equipment	3,750	2,401	1,349
Consulting Expenses - General Support Services	37,500	26,198	11,302
Consulting Expenses - Program Management	50,000	47,853	2,147
Consulting Expenses - AB 303 Grant	125,000	171,701	(46,701)
Total Expenditures	<u>783,200</u>	<u>711,957</u>	<u>71,243</u>
<b>(DEFICIENCY) EXCESS REVENUE OVER PROGRAM EXPENDITURES</b>	<b>(135,100)</b>	<b>(188,353)</b>	<b>(53,253)</b>
Fund Balance, July 1, 2014	<u>556,353</u>	<u>556,353</u>	<u>-</u>
Fund Balance, June 30, 2015	<u>\$ 421,253</u>	<u>\$ 368,000</u>	<u>\$ (53,253)</u>

## **OTHER REPORT**

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

To the Board of Directors  
Sacramento Groundwater Authority  
Sacramento, 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 governmental activities and special revenue fund of the Sacramento Groundwater Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2016.

**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.

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 Authority'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 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 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 result 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

November 28, 2016