

SACRAMENTO GROUNDWATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, December 14, 2017; 9:00 a.m.

5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(916) 967-7692

Agenda

The Board will discuss all items on this agenda, and may take action on any of those items, including information items and continued items. The Board may also discuss other items that do not appear on this agenda, but will not act on those items unless action is urgent, and a resolution is passed by a two-thirds (2/3) vote declaring that the need for action arose after posting of this agenda.

The public shall have the opportunity to directly address the Board on any item of interest before or during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the Authority's Administrative Office at the address listed above. In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Executive Director of the Authority at (916) 967-7692. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENT: Members of the public who wish to address the Board may do so at this time. Please keep your comments to less than three minutes.

3. CONSENT CALENDAR

Minutes of October 12, 2017 meeting

Action: Approve October 12, 2017 meeting minutes

4. 2017 AUDIT REPORT

Information Presentation: Ingrid Sheipline, Richardson and Company

Action: Accept 2017 Financial Audit report

5. ELECTION OF 2018 SGA OFFICERS

Information Update: SGA Nominating Committee update and recommendations

Action: Elect 2018 SGA Chair and Vice Chair

6. FEDERAL GOVERNMENT APPROVES SOCIAL SECURITY COVERAGE FOR SGA EMPLOYEES

Information Update: John Woodling, Executive Director

Action: Approve Resolution of Intention to Amend the SGA PERS Contract to Include Social Security Coverage

7. SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) UPDATE

Information Update: John Woodling, Executive Director

8. GROUNDWATER MANAGEMENT PROGRAM UPDATE

Information Update: Rob Swartz, Manager of Technical Services

9. EXECUTIVE DIRECTOR'S REPORT

10. DIRECTORS' COMMENTS

ADJOURNMENT

Next SGA Board of Director's Meeting – February 8, 2018, 9:00 a.m., RWA/SGA office, 5620 Birdcage Street, Ste. 110, Citrus Heights.

Sacramento Groundwater Authority Board Meeting
December 14, 2017

AGENDA ITEM 3: CONSENT CALENDAR

STAFF RECOMMENDATION:

Action: Approve October 12, 2017 meeting minutes



1. CALL TO ORDER

Chair Allen called the meeting of the Board of Directors to order at 9:00 a.m. at the Regional Water Authority/Sacramento Groundwater Authority office. Individuals in attendance are listed below:

Board Members

Mark Emmerson, Carmichael Water District
Al Dains, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Noelle Mattock, City of Sacramento
Darrell Eck, County of Sacramento
Rich Allen, Del Paso Manor Water District
Randy Marx, Fair Oaks Water District
Paul Schubert, Golden State Water Company
Brett Gray, Natomas Central Mutual
John Wingerter, Orange Vale Water Company
Paul Green, Rio Linda/Elverta Community Water District
Neil Schild, Sacramento Suburban Water District
Pam Tobin, San Juan Water District
Jack DeWit, Agriculture
Rink Sanford, Self-Supplied Industry

Staff Members

John Woodling, Rob Swartz, Adam W. Robin, Cecilia Partridge and Chris Sanders, legal counsel.

Others in Attendance

Jafar Faghih, Jillian Brown, Karl Brustad, Tom Gray, Sharon Wilcox, Joe Duran, Debra Sedwick, Hilary Straus, David Gordon, Guadalupe Rivera, Shauna Lorance, Mitch Dion, Kevin Thomas, Roger Kohne, Greg Zlotnick, Dave Joes, Rob Roscoe, Kelye McKinney and Charles Duncan.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

a. The minutes of the August 10, 2017 meeting

Motion/Second/Carried (M/S/C) Ms. Tobin moved, with a second by Mr. Schubert, to approve the August 10, 2017 SGA Board minutes. The motion carried by the unanimous voice vote of all directors present.

4. SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) UPDATE

Mr. Woodling, Executive Director, reported to the Board on a meeting that he chaired of DWR's SGMA Practitioner Advisory Panel on October 11. DWR has convened this panel to provide input on all aspects of its implementation of SGMA. DWR continues to develop tools and guidance through implementation of SGMA. DWR has been helpful in briefing the ACWA Groundwater Committee and receiving feedback, providing direction to some of the new areas that are just beginning the SGMA Groundwater management process, giving agencies an indication of what they need to do and what DWR wants to see, while still providing flexibility for areas like ours that have done a lot of work implementing SGMA. DWR is currently working on best management practices on what they call the sustainable management criteria including sea water intrusion, stream depletion, basin overdraft and chronic overdraft, depletion of storage in the groundwater basin, land subsidence, and migration of degraded water quality.

There is work being done on developing data sets and work on a statewide level, including the resurvey of the subsidence network in the Sacramento Valley. DWR has begun providing solicitation services under contract and will be rolling out a technical system program. Recently DWR released a new web-based portal of California land use data. The Land Use Viewer includes 30 years of land use data on a map-based interface.

The North American Subbasin has come together and identified who is taking responsible authority for the areas in the basin.

Ms. McKinney said that City of Roseville is part of the West Placer Groundwater Sustainability Agency. They have formed their GSA and have been actively managing portions of the West Placer basin for over 10 years.

5. DRAFT SCOPE OF WORK TO DEVELOP GROUNDWATER SUSTAINABILITY PLAN FOR NORTH AMERICAN SUBBASIN

Rob Swartz, Manager of Technical Services, gave an update and presentation. The five GSAs in the North American Subbasin continue working on a scope for a single Groundwater Sustainability Plan (GSP) for the North American Subbasin. The basin is covered by four other Groundwater Sustainability Agencies in addition to SGA. These include Western Placer (Roseville, Lincoln, Placer County, Placer County Water Agency, Nevada Irrigation District and California American Water); South Sutter Water District; Reclamation District 1001 (in coordination with Pleasant Grove-Verona Mutual Water Company; and Sutter County (in coordination with Natomas Central Mutual Water Company).

In March 2017, the five GSAs agreed to secure consulting support through GEI Consultants to identify a comprehensive scope of work and budget needed to prepare a single GSP for the subbasin. In September 2017, the California Department of Water Resources released an application for the Sustainable Groundwater Planning Grant Program. The maximum grant allowable for the basin is \$1 million, with a minimum local cost share of 50%. Applications are due by November 13, 2017.

Based on the work completed previously by GEI, input from each of the GSAs, and requirements of the grant, a draft scope of work consisting of 7 primary tasks and a total budget of \$1.85 million was developed.

We intend to seek an estimated \$905,000 from the grant and provide an estimated \$945,000 in local cost share. Of the \$945,000 local share, an estimated \$150,000 is through in-kind contributions (staff time of the participating GSAs) leaving a direct funding match of \$795,000. Of the \$795,000, \$70,000 has already been funded through the participating GSAs leaving a funding need of \$725,000 to match the grant award. The GSAs will all contribute to this unmet funding need. The GSAs agreed to use the percent area covered by each GSA within the North American Subbasin as an equitable formula for their proposed contributions. These will likely change only slightly as final budget numbers are refined during the application development.

All of the GSAs agreed to have SGA serve as the lead applicant and administrator of the grant if funds are received. Letters from representatives of each of the GSAs confirming their commitment to their local share and to enter into an agreement with SGA prior to receiving a grant funding agreement were enclosed in the packet.

Mr. Swartz provided a handout of the potential grant project scope of work and budget for the North American Subbasin that detailed the activities, description, total project cost, state grant funded and local share match. He described each task and associated costs and provided information on the proposed nested monitoring wells, proposed shallow monitoring wells, proposed groundwater quality sampling locations and surface water gaging locations. The activities include project management, identifying data gaps and needed tools, addressing data gaps, addressing tools gaps, GSP development, public notification and communications and GSA coordination. Staff is proposing to do background water quality water sampling at the accessible existing monitoring wells and proposed new monitoring wells.

Mr. Woodling said that in addition to stream depletion results, we now have a requirement to look at groundwater dependent ecosystems. We will be looking at the potential identified groundwater dependent ecosystems relative to groundwater to clarify if they really are groundwater dependent. At each potential location, staff will do an appropriate level of evaluation and monitoring to the potential concern.

As part of the application, the applicant is required to provide a resolution from its governing body. Staff requested that the Board consider adoption of SGA Resolution 2017-4.

M/S/C Mr. Schubert moved, with a second by Mr. Eck, to approve SGA Resolution 2017-04 authorizing the Executive Director to submit an application and execute a funding agreement with the California Department of Water Resources under the Sustainable Groundwater Management Planning Grant Program. The motion carried by the unanimous voice vote of all directors present.

6. GROUNDWATER MANAGEMENT PROGRAM UPDATE

Rob Swartz reported that staff will be performing semi-annual monitoring on October 13th. A report will be given at the next SGA meeting with respect to groundwater elevations. The basin is looking good this year compared to the past couple of years.

7. APPOINTMENT OF NOMINATIONS COMMITTEE FOR 2018 SGA OFFICERS

Chair Allen appointed Paul Schubert and Neil Schild to the nominations Committee for 2018 SGA Officers. Chair Allen will serve as chair of the committee.

8. EXECUTIVE DIRECTOR'S REPORT

Legislative Update – Mr. Woodling introduced Adam W. Robin to the SGA Board as the RWA Legislative and Regulatory Affairs Program Manager. Mr. Robin worked tirelessly with the legislature this year on bills that were of interest to member agencies. On the groundwater side the most significant bill that passed was SB 252 sponsored by Senator Dodd that would require cities and counties to impose more stringent requirements for water well permits in critically over-drafted basins. It does not apply to Sacramento County groundwater basins.

SGA Outreach – Mr. Woodling will attend the National Water Resources Association Groundwater Task Force meeting on October 24, 2017, representing SGA and ACWA. The task force focuses on issues related to federal involvement (including in the courts) on state groundwater issues. Mr. Swartz presented to a Groundwater Resources Association of California (GRAC) conference on stream depletion in Sacramento on August 29, 2017. The conference is one in a series intended to inform local agencies on issues to be addressed under the Sustainable Groundwater Management Act of 2014.

Social Security Coverage Approved for SGA – A letter extending social security coverage to all eligible employees was included in the packet.

Financial Documents – The financial reports for the period ending September 31, 2017 were included in the packet.

Mr. Woodling reminded members that the 2017 RWA/SGA Seventeenth Annual Holiday Social is scheduled for Thursday, December 7th at North Ridge Country Club. The invitation will be mailed the end of October.

9. DIRECTORS' COMMENTS

Mr. Green said that he has an upcoming meeting of the ACWA JPIA property committee next week.

Mr. Schubert reported that Golden State Water has drilled a new well at their Trussel site with a very high production capacity.

Ms. Tobin, representing RWA and SGA at ACWA JPIA, reported that there are some program enhancements to the liability program, which renews October 1st. Marty Hanneman is the new San Juan Water District Board Member. Ms. Tobin is the Chair for the ACWA Region 4 Board for the 2018-2019 term. Three of the seven Region 4 board seats are RWA or SGA board members.

Adjournment

With no further business to come before the Board, Chair Allen adjourned the meeting at 10:12 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Finance and Administrative Services Manager

Sacramento Groundwater Authority Board Meeting
December 14, 2017

AGENDA ITEM 4: 2017 AUDIT REPORT

BACKGROUND:

Richardson and Company has completed the financial audit for the fiscal year that ended June 30, 2017. The full audit report is attached.

STAFF RECOMMENDATION:

Information Presentation: Ingrid Sheipline, Richardson and Company

Action: Accept 2017 Financial Audit Report

SACRAMENTO GROUNDWATER AUTHORITY

AUDIT PRESENTATION AGENDA

December 14, 2017

Presentation by Richardson & Company, LLP of the Audited Financial Statements, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Auditor's opinion on financial statements
- Internal Control and Compliance Report
- Governance (required communications) letter

Independent Auditor's Report

- Unmodified (clean) opinion

Discussion of financial statements

- Statement of Net Position (page 13)

 - New net pension liability of \$106,839 reflected
 - Net position of \$587,118 available for future use

- Statement of Revenues, Expenditures (page 14)

 - Increased member assessments
 - Reduced AB303 grant revenues, only retention paid out
 - Decreased employee benefit expenses—less paid toward unfunded pension liability

- Note 5—Designations of net position (page 23)

 - Operating fund and other items totaling \$441,900

- Notes 6—Pension plan (pages 24 to 29)

 - New note describing pension liability and assumptions

- Budget to Actual Comparison (page 32)

 - AB303 Grant for FY 15/16 received in FY 16/17

 - Taxes and benefits were less than budgeted

 - Delays in projects such as grant applications, groundwater modeling and GSP update

Report on Internal Control and Compliance (pages 34 to 35)

- No internal control weaknesses noted
- Complied with applicable laws and regulations material to the financial statements

Governance letter

- Management judgments and accounting estimates
- No audit adjustments noted
- No differences noted that were not adjusted
- No difficulties in performing the audit and no unusual accounting practices

No management letter issued

- Good internal controls



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GOVERNANCE LETTER

To the Board of Directors
Sacramento Groundwater Authority
Sacramento, California

We have audited the financial statements of the Sacramento Groundwater Authority (the Authority) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 21, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the Authority. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests is not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material weaknesses in internal controls as a result of our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The application of existing policies was not changed during the year, except for the recording of a net pension liability and related deferred inflows and outflows as described below. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the retirement contributions and related liabilities and the depreciable lives and method used to depreciate capital assets. The retirement benefits contributions are determined by actuarial valuations. This includes estimating the Authority's pension amounts based on a percentage of Regional Water Authority's amounts, since the separate information for the Authority is not yet available. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Pension Liability: The disclosure of the pension liability in Note 6 to the financial statements discusses the pension liability that is now reflected in the Statement of Net Position and related deferred balances as well as the assumptions that were used to determine the amounts. Two required supplementary information schedules also provide trend information on the pension obligation and contributions. As discussed in Note 6, a portion of the Authority's pension liability was allocated from the Regional Water Authority's (RWA) net pension liability, since the Sacramento Groundwater Authority became a CalPERS member agency as of July 1, 2016 from CalPERS. Information on the Authority's proportionate share of the net pension liability is not yet available; however, the Authority's share was estimated to be 42% based on the June 30, 2016 CalPERS Annual Valuation Report. Recording these pension amounts on the Authority's Statement of Net Position results in a decrease in the Authority's net position at July 1, 2016 of \$51,580, as described in Note 1 to the financial statements.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We had no adjustments as a result of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to the Pension Plan and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Board of Directors
Sacramento Groundwater Authority
Page 4

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

December 1, 2017

SACRAMENTO GROUNDWATER AUTHORITY
INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS

June 30, 2017

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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, 2017, 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, 2017 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.

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended June 30, 2017 as a result of the Authority becoming a CalPERS member agency as of July 1, 2016. Due to the implementation of these Statements, the Authority recognized deferred outflows of resources, a pension liability and deferred inflows or resources for its cost-sharing pension plans in the financial statements as of July 1, 2016. Our opinion is not modified with respect to this matter.

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 December 1, 2017 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

Board of Directors
Sacramento Groundwater Authority

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.

Richardson & Company, LLP

December 1, 2017

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, 2017 and 2016. This discussion analysis should be read in conjunction with the financial statements, which can be found on pages 13 to 31 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 page 32 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.

For the year ending June 30, 2017, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB No. 68”) and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 is implemented since SGA now qualifies as a special funding situation. During fiscal year 2017, SGA contracted with CalPERS to provide defined pension plan benefits to RWA employees when these employees provide services to SGA. Since RWA employees had been providing services to SGA since inception, SGA will inherit a portion of RWA’s unfunded accrued liability and market value of assets. Because SGA now has a legal liability for pension contributions and unfunded liabilities, a portion of the net pension liability and related deferred outflows and inflows of RWA should be allocated to SGA’s financial statements. Because not all required components of implementing this standard could be calculated for June 30, 2016, SGA’s basic financial statements are presented for June 30, 2017 only. The financial statements can be found on pages 13 to 14.

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 15 to 31 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>2017</u>	<u>2016</u>
Other Assets	\$ 733,931	\$ 637,090
Deferred Outflows - Pension	157,183	-
Capital assets, net	3,946	7,643
Total Assets and Deferred Outflows	<u>\$ 895,060</u>	<u>\$ 644,733</u>
Current Liabilities	\$ 111,948	\$ 108,698
Non-Current Liabilities	107,295	3,191
Total Liabilities	219,243	111,889
Deferred Inflows - Unamortized		
Pension Adjustments	84,753	-
Net Position:		
Invested in capital assets	3,946	7,643
Restricted	587,118	525,201
Total Net Position	<u>\$ 591,064</u>	<u>\$ 532,844</u>

Other Assets

Other assets consisted of cash and cash equivalents, interest receivable and prepaid assets. Other assets increased by \$96,841 from the previous year. The increase is due to an increase in the annual dues to plan for the upcoming Sustainable Groundwater Management Agencies (SGMA). The act requires the formation of local groundwater sustainability agencies (GSAs) that must assess conditions in their local water basins and adopt locally-based management plans. This requirement is expected to increase fees for SGA out into future years. The Board agreed to increase fees to begin preparing for these requirements.

Deferred Outflows – Pensions

Deferred Outflows include pension plan contributions made by SGA to CalPERS in fiscal year 2017 of \$50,731. Additionally, the balance of unamortized pension plan adjustments include differences between actual and projected earnings, adjustment due to changes in proportionate allocations, differences between actual and expected experience, and differences between actual and allocated contributions. These unamortized pension plan adjustments will be amortized over the expected average remaining service life (“EARSLS”), which is 3.7 years in fiscal year 2017 or over five years, depending on the source of the item, and will increase pension expense over future periods. These deferred outflow amounts are a result of adopting GASB No. 68. See note 6 for the balances of the various deferred outflows.

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.

Current Liabilities

Current liabilities of \$111,948 have increased \$3,250 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. The current liabilities include \$100,550 due to the RWA for administrative service costs and also include \$2,735 of remaining leasehold improvements costs that will be amortized during the next fiscal year. These acquisition costs are amortized over the life of the office lease agreement in the form of rental expense reimbursement to RWA.

Non-Current Liabilities

The increase in liability is largely attributable to implementing GASB No. 68, which includes a net pension liability of \$106,839.

Deferred Inflows – Unamortized Pension Adjustments

These amounts represent unamortized pension adjustments due to changes in pension plan assumptions, adjustments due to changes in proportions, differences between projected and actual experience, and differences between actual and allocated contributions. These adjustments will be amortized over EARSL and will decrease pension expense in future periods. These deferred inflow amounts are a result of adopting GASB No. 68. See note 6 for the balances of the various deferred outflows.

Net Position Invested in Capital Assets

Investment in capital assets net of accumulated depreciation totaled \$3,946 and decreased by \$3,697 due to depreciation of 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. Restricted net position increased by \$61,917. This increase was the result of increasing fees greater than project expenses by \$109,800 but was partially offset by a \$51,580 decrease, reflecting the implementation of GASB No. 68 and one-time restatement for a change in accounting principle as of July 1, 2016.

For fiscal year 2017, approximately \$441,900 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, 2017</u>	<u>June 30, 2016</u>
	<u>Statement of Activities</u>	<u>Statement of Activities</u>
Program Revenue		
Assessment Income	\$ 682,216	\$ 604,492
Grant Awards	11,248	60,595
General Revenues	<u>7,460</u>	<u>3,566</u>
Total Revenue	<u>700,924</u>	<u>668,653</u>
Total Program Expenses	<u>591,124</u>	<u>668,900</u>
Increase (Decrease) in Net Position	109,800	(247)
Net Position July 1, as previously reported	532,844	533,091
Restatement for change in accounting principle	<u>(51,580)</u>	<u>-</u>
Net Position July 1, restated	<u>481,264</u>	<u>533,091</u>
Net Position June 30	<u>\$ 591,064</u>	<u>\$ 532,844</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 \$682,216 and are \$77,724 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 2017, the groundwater fee was raised from \$4.85 to \$5.55 per acre foot, based upon a running five year average of historical volume, which was calculated as 69,373 acre-feet. The base administrative fee formula minimum fee was also raised from \$8,000 to \$9,000 per member. The connection fee was raised from \$1.05 to \$1.17 per connection for connections greater than 6,000. The long-term target 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 Local Groundwater

Assistance Grant Program (AB 303) and awarded SGA a grant in the amount of \$225,000. Activity on this grant was completed in fiscal year 2016 and the final DWR payment was received in February 2017.

General revenue

General revenue of \$7,460 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 \$591,124 and are \$77,776 less than the previous year's expenses of \$668,900. The decreased costs reflect reduced consulting costs in administration of the AB 303 grant and general program activities and for expected additional administrative expenses for SGA from RWA.

Capital Assets

Capital asset investment includes office furniture, office and leasehold improvements as of June 30, 2017 and amounts to \$3,946 net of accumulated depreciation. Capital asset acquisitions are co-owned with RWA and each authority pays 50% of the acquisition cost.

	<u>2017</u>	<u>2016</u>
Furniture	\$ 14,759	\$ 14,759
Equipment	17,307	19,505
Leasehold Improvements	<u>17,951</u>	<u>17,951</u>
Gross Capital Assets	50,017	52,215
Less accumulated depreciation and amortization	<u>(46,071)</u>	<u>(44,572)</u>
Capital Assets, net	<u>\$ 3,946</u>	<u>\$ 7,643</u>

Additional information on the furniture and equipment can be found in note 3 on page 21 of this report.

Special Revenue Fund Condensed Budgetary Analysis

For the fiscal year ending June 30, 2017, the following condensed Budget to Actual Statements of Revenues, Expenditures, and Changes in Fund Balance is presented:

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
Program Revenues			
Assessment Income	\$ 682,200	\$ 682,216	\$ 16
Grant Awards	-	71,843	71,843
Total Program Revenues	682,200	754,059	71,859
General Revenue - Interest and Other Income	1,300	7,460	6,160
Total Revenues	683,500	761,519	78,019
Expenditures			
Administrative Expenses	461,700	455,020	6,680
Office Expenses	55,700	44,831	10,869
Professional Fees	295,700	102,140	193,560
Capital Outlay and Equipment	3,900	2,607	1,293
Total Expenditures	817,000	604,598	212,402
Expenditures (Over) Under Revenue	(133,500)	156,921	290,421
Fund Balance, July 1, 2016	464,606	464,606	-
Fund Balance, June 30, 2017	<u>\$ 331,106</u>	<u>\$ 621,527</u>	<u>\$ 290,421</u>

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 \$290,421. Significant budget versus actual variances are as follows.

Grant Awards

In March 2013, DWR awarded SGA a grant for another Local Groundwater Assistance Grant Program (AB 303) in the amount of \$225,000. The \$225,000 grant award and corresponding consulting expenses started in fiscal year 2015 and all eligible reimbursable expenses were incurred in FY 2016. The grant awards recognized represent grant awards received in fiscal year 2017.

Administrative Expenses

SGA incurs administrative expenses from RWA to manage SGA. Total expected administrative costs were \$6,680 lower than budgeted. 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 \$10,869 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 \$193,560 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 were much lower due to not needing to use an outside attorney to deal with the CalPERS issue that has now been resolved.

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.

Economic factors and assumptions for fiscal year June 30, 2018

SGA assessment fees continue to be based upon two components: a groundwater fee and a base administrative fee formula. A 9% increase in assessment fees was adopted for the fiscal year June 30, 2018 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, 2018 budget include:

- 1) The proposed fee increase still results in an approximately \$175,350 negative cash shortfall that will be absorbed by designated and undesignated carry over funds from previous years.
- 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 and groundwater fees are targeted to cover 60% of costs.
- 3) The minimum base administrative fee is \$10,100 plus \$1.31 per connection for connections over 6,000. The pumped groundwater fee per acre-foot is \$6.00 per acre foot. A five year trailing average of groundwater pumping is used to develop the groundwater fees for FY18.
- 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 3% to 1%).
 - 8) The FY18 budget includes an additional \$26,900 payment towards the unfunded pension liability.
 - 9) Professional fees include public relations, accounting, legal and consulting support for projects.
 - 10) The SGA consulting budget reflects \$248,300 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. These activities also include \$98,300 in consulting fees designated from FY17 to be spent in FY18 on groundwater modeling.
 - 11) In FY18, even with the proposed fee increase, it is anticipated that SGA expenses will be approximately \$175,350 more than fees. The expenses in excess of fees 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 FY18, 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, 2018.

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 SHEET /
STATEMENT OF NET POSITION
JUNE 30, 2017

	June 30, 2017		
	Special Revenue Fund	Adjustments (Note 8)	Statement of Net Position
ASSETS			
Cash and Investments	\$ 726,180	\$ -	\$ 726,180
Interest and Other Receivables	1,833	-	1,833
Prepaid Assets	5,918	-	5,918
Deferred Outflows - Pensions		157,183	157,183
Capital assets, net	-	3,946	3,946
Total Assets and Deferred Outflows	<u>\$ 733,931</u>	<u>\$ 161,129</u>	<u>\$ 895,060</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 11,398	\$ -	\$ 11,398
Payable to Regional Water Authority	100,550	-	100,550
Total Current Liabilities	<u>111,948</u>	<u>-</u>	<u>111,948</u>
Non-Current Liabilities			
Net Pension Liability	-	106,839	106,839
Payable to Regional Water Authority	456	-	456
Total Non-Current Liabilities	<u>456</u>	<u>106,839</u>	<u>107,295</u>
Deferred Inflows - Unamortized Pension			
Adjustments	-	84,753	84,753
Total Deferred Inflows	<u>-</u>	<u>84,753</u>	<u>84,753</u>
FUND BALANCES			
Non-spendable	5,918	(5,918)	-
Restricted	615,609	(615,609)	-
Total Fund Balance	<u>621,527</u>	<u>(621,527)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 733,931</u>		
NET POSITION			
Invested in capital assets		3,946	3,946
Restricted		587,118	587,118
Total Liabilities, Deferred Inflows, and Net Position		<u>\$ 591,064</u>	<u>\$ 591,064</u>

SACRAMENTO GROUNDWATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE /
STATEMENT OF ACTIVITIES
JUNE 30, 2017

	June 30, 2017		
	Special Revenue Fund	Adjustments (Note 8)	Statement of Activities
REVENUES			
Program Revenue			
Assessment Income	\$ 682,216	\$ -	\$ 682,216
Grant Awards	71,843	(60,595)	11,248
Total Program Revenue	754,059	(60,595)	693,464
General Revenue - Interest and Other Income	7,460	-	7,460
Total Revenue	761,519	(60,595)	700,924
PROGRAM EXPENDITURES/EXPENSES			
Shared and Direct Expenses:			
Wages and Salaries	291,468	-	291,468
Employee Benefits	153,163	(17,171)	135,992
Travel and Training	10,389	-	10,389
Rent	9,748	-	9,748
Insurance	12,656	-	12,656
Depreciation and Amortization	-	3,697	3,697
Capital outlay and equipment	2,607	-	2,607
Telephone	5,587	-	5,587
Dues and Subscriptions	4,371	-	4,371
Printing, Supplies and Postage	8,853	-	8,853
Computer Maintenance	3,616	-	3,616
Audit and Banking	10,793	-	10,793
Legal	16,335	-	16,335
Consultants	75,012	-	75,012
Total Program Expenditures/Expenses	604,598	(13,474)	591,124
EXCESS OF REVENUES OVER PROGRAM EXPENDITURES	156,921	-	-
INCREASE (DECREASE) IN NET POSITION	-	(47,121)	109,800
FUND BALANCES/NET POSITION			
Beginning of the year	464,606	68,238	532,844
Restatement for Change in Accounting Principle	-	(51,580)	(51,580)
Beginning of the year, as Restated	464,606	16,658	481,264
End of the year	\$ 621,527	\$ (30,463)	\$ 591,064

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, SGA has adopted Governmental Accounting Standards Board (GASB) Statements as follows:

- a) For the year ending June 30, 2017, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB No. 68”) and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB No. 71”) are adopted. During fiscal year 2017, SGA qualified as a non-employer contributing entity for the RWA pension plan as SGA established a defined benefit plan with CalPERS even though SGA is not an employer of record. As part of the establishment of the pension plan with CalPERS, SGA will inherit prorated pension plan liabilities and assets from RWA in recognition of the time worked by RWA employees for each entity. As a non-employer contributing entity, GASB No. 68 requires recognizing a long-term obligation for pension benefits as a liability on the statement of net position. Additionally, in the

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

year of adoption, a restatement to net position is made due to implementation of GASB No. 68 as a result of a change in accounting principle. The beginning of the year restatement at July 1, 2016 is as follows:

Decrease in Restricted Net Position	\$ 51,580
Increase in Deferred Outflows	135,001
Increase in Deferred Inflows	<u>(41,192)</u>
Increase in Net Pension Liability	<u>\$ 145,389</u>

Previously, any pension liability for work done by RWA employees on behalf of SGA employees was paid for and recognized on RWA's financial statements as SGA did not previously have a legal or contractual obligation to the pension plan.

- b) 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.

The following GASB statements will be implemented in future periods.

- a) GASB Statement No. 84 ("GASB No. 84"), Fiduciary Activities which establishes criteria for identifying fiduciary activities of all state and local governments. The effective date of adoption is periods beginning after December 15, 2018.
- b) GASB Statement No. 85 ("GASB No. 85"), Omnibus 2017 which addresses practice issues that have been identified during implementation and application of certain GASB Statements and is effective for reporting periods beginning after June 15, 2017.
- c) GASB Statement No. 87 ("GASB No. 87"), Leases which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and is effective for reporting periods beginning after June 15, 2017.

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.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Outflows – Deferred outflows comprise the following adjustments that will reduce the net pension liability or increase pension expense over time, depending upon the source of the adjustment. These adjustments include pension contributions, the difference between expected and actual plan experience, projected versus actual investment earnings on pension assets, changes in proportionate allocations, and differences between expected and actual pension contributions. Since the pension plan valuation measurement date of June 30, 2016 lags the fiscal year of June 30, 2017, any pension contributions made subsequent to the measurement date of June 30, 2016 will decrease the pension liability in the subsequent fiscal year. The differences between expected and actual experience in regards to changes in economic or demographic factors, the changes from year to year proportionate plan allocations, and the differences between allocated and actual pension contributions are amortized into pension expense over the expected average remaining service life (“EARSL”) which is 3.7 years for measurement dates June 30, 2016. The projected versus actual investment earnings on pension assets balances are amortized over five years. See Note 6 for details and how these balances are amortized.

Deferred Inflows – Deferred inflows are comprised of unamortized pension adjustments. The unamortized pension adjustments include changes in assumptions about future economic or demographic factors and reduce pension expense amortized over time using EARSL. Other adjustments include changes in proportionate allocations, and difference between allocated and actual contributions. See Note 6 for details and how these balances are amortized.

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 \$5.55 per acre foot for the year.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The base administrative fee was calculated based upon the number of connections and was set at a minimum of \$9,000 for the first 6,000 connections plus \$1.17 for each connection after 6,000.

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 \$11,248 of eligible reimbursable costs paid during the fiscal year 2017 and recognized as grant award income.

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. This grant work was completed in the year ending June 30, 2016 and the remaining grant award received was recognized as income during fiscal year 2017.

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.

Related party – Since SGA does not employ staff, 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.

Beginning on July 1, 2016, CalPERS required SGA to establish a separate pension plan for the work done by RWA employees on behalf of SGA. SGA began its own CalPERS pension plan and started making its own payments for the pension plan even though RWA is the employer for staff who administers SGA activities and projects. SGA will inherit allocated unfunded liabilities and investment assets from RWA. SGA's allocation will result in a net pension liability. The net pension liability and the related deferred inflows and outflows have been estimated and are now reflected in the June 30, 2017 financial statements. See Note 6 for additional pension plan disclosures.

During the fiscal years ending June 30, 2017 and 2016, SGA shared 50% of all common joint office costs including administrative personnel expenses. SGA incurred common cost expenses of \$476,712. For the year ending June 30, 2017, SGA owes RWA \$101,006.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 is \$3,191. The balance of amounts due to RWA represents ongoing administrative expenses incurred by RWA to manage SGA.

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.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Budget – SGA’s governing board must approve a budget within 90 days of July 1st 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 as of June 30, 2017:

Deposits with financial institutions	\$ 7,354
Investments in LAIF	<u>718,826</u>
Total cash and investments	<u>\$ 726,180</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, 2017, the average maturity of the investments contained in the LAIF investment pool was approximately 194 days.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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 99% of its cash invested in LAIF.

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, 2017, SGA's bank balance was \$11,328. 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 recorded on an amortized cost basis. The total fair value of all public agencies invested in the LAIF at June 30, 2017 and 2016 was \$22,812,817,838 and \$22,712,084,628, respectively. The LAIF balance is a part of the California Pooled Money Investment Account ("PMIA") and includes the Surplus Money Investment Fund and the General Fund. The total fair value of all public agencies invested in PMIA at June 30, 2017 and 2016 was \$75,539,216,146 and 75,442,588,513, 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.gov/pmia-laif/laif.asp.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Furniture	\$ 14,759	\$ -	\$ -	\$ 14,759
Equipment	19,505	-	(2,198)	17,307
Leasehold Improvements	17,951	-	-	17,951
Total	<u>52,215</u>	-	(2,198)	<u>50,017</u>
Less accumulated depreciation	<u>(44,572)</u>	<u>(3,697)</u>	<u>2,198</u>	<u>(46,071)</u>
Fixed Assets, Net	<u>\$ 7,643</u>	<u>\$ (3,697)</u>	<u>\$ -</u>	<u>\$ 3,946</u>

NOTE 4 – SPECIAL REVENUE FUND BALANCE

The fund balance consists of the following:

	<u>June 30, 2017</u>
Non-spendable - prepaid assets	\$ 5,918
Restricted	<u>615,609</u>
Total Fund Balance	<u>\$ 621,527</u>

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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:

	<u>2017</u>
Operating Fund	\$ 316,700
Groundwater Modeling	98,300
Administrative Overhead	<u>26,900</u>
	<u>\$ 441,900</u>

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 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.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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 13, 2017 Board meeting, the board approved designating \$98,300 in unused budgeted funds for the work of groundwater modeling that will occur in fiscal year 2018. The Board also designated a total of \$26,900 for estimated future administrative overhead costs associated with accelerated funding of SGA’s unfunded pension liability. SGA is now obligated to pay pension costs directly to CalPERS. See Note 6 for additional pension related disclosures.

NOTE 6 – RETIREMENT PLAN

California Public Employees’ Retirement System (CalPERS)

Plan Description: SGA was granted its own PERS pension plan beginning July 1, 2016 for the work done by RWA employees on behalf of SGA. All qualified employees are eligible to participate in the 2% at 55 Miscellaneous plan administered by California Public Employees’ Retirement System (CalPERS). This cost-sharing multiple-employer pension plan provides defined benefits to eligible SGA plan participants. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law (“PERL”). CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through its Public Employees Retirement Fund (“PERF”). Benefits are based upon years of credited service. Members with five years of totals service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The pre-retirement death benefit is available if the member dies while actively employed and is a monthly allowance equal to the service retirement benefit that the member would have received had the member retired on the date of his or her death and is available for as long as the surviving spouse lives and then to any unmarried children under 18. The post-retirement death benefit is a lump sum of \$500, plus either 25 percent or 50 percent of the service retirement benefit, depending upon the election made at retirement. The cost of living adjustments are set at up to 2% per year.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN (CONTINUED)

The plan’s provisions and benefits in effect at June 30, 2017 are summarized as follows:

	June 30, 2017	PEPRA
	Miscellaneous	Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.25%
Required employer contribution rates - fiscal year 2016/2017	9.055%	6.25%

None of the RWA employees working for SGA were hired after January 1, 2013. The miscellaneous plan is closed to new employees unless the new employee is considered a classic member as defined by the California Public Employees’ Pension Reform Act (“PEPRA”).

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. SGA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

SGA has contractually required employer contributions as well as pays for some of the employees required contributions. The required pension contributions were made:

Year Ending	Employer Required Contributions	Required Unfunded Liability Contribution	Total	Required Contribution rate
June 30, 2017	\$23,831	\$0	\$23,831	9.055%

Additionally, SGA made a pension contribution of \$26,900 during the year ending June 30, 2017 towards payment of SGA’s inherited unfunded liability. SGA’s net pension liability is estimated at 42% of RWA’s total. Since the pension liability measurement date is based upon June 30, 2015, this additional amount plus the employer contributions made during the year ending June 30, 2017 totaling \$50,731 is included in deferred outflow.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2017, SGA’s calculated proportionate share of the net pension liability is \$106,839 approximately 42% of the liability calculated for RWA of \$254,379. The net pension liability for June 30, 2017 is measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and then rolled forward to June 30, 2016 using standard update procedures. RWA’s proportion of the net pension liability was based upon a projection of RWA’s long-term share of contributions to the pension plans before allocations to SGA relative to the projected contributions of all participating employers, actuarially determined. RWA then estimated and allocated 42% of the liability to SGA based upon the CalPERS most recent June 30, 2016 Annual Valuation Reports for each entity.

SGA’s proportionate share of the net pension liability is as follows:

	Miscellaneous
Proportion - June 30, 2016	0.0052995%
Proportion - June 30, 2017	0.0030755%
Change - Increase (Decrease)	(0.0022240%)

SGA recognized pension expense of \$35,709.

At June 30, 2017, SGA reported deferred outflows and inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 50,731	\$ -
Differences between actual and expected experience	1,028	235
Changes in assumptions	-	9,723
Differences between the employer's contribution and the employer's proportionate share of contributions	1,411	2,715
Net differences between projected and actual earnings on plan investments	50,606	
Adjustments due to differences in proportions	53,407	72,080
Total	\$ 157,183	\$ 84,753

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN (CONTINUED)

The \$50,731 pension contributions subsequent to the measurement date reported as deferred outflows of resources as of June 30, 2017 will be recognized as a reduction of the net pension liability in future periods.

Excluding the pension contributions subsequent to the measurement date, the other amounts of deferred outflows and inflows will be recognized as a reduction or increase in pension expense over the next four years as follows:

Year Ended	
June 30	
2018	\$ (4,603)
2019	(2,937)
2020	16,131
2021	13,108
	\$ 21,699

Actuarial Methods and Assumptions Used to Determine Total Pension Liability – The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality (2)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power applies; 2.75% thereafter

(1) Net of pension plan investment expenses, includes inflation

(2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report based on CalPERS demographic data 1997 to 2011. All other actuarial assumptions used in the June 30, 2015 valuation were based on an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on CalPERS website.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.650%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.650% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.650% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN (CONTINUED)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses as of June 30, 2016.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents SGA’s allocated proportionate share of the net pension liability at June 30, 2016, calculated using the discount rate as well as what SGA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 238,642
Current Discount Rate	7.65%
Net Pension Liability	\$ 106,839
1% Increase	8.65%
Net Pension Asset	\$ 2,089

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Payable to the Pension Plan – At June 30, 2017, SGA does not have an outstanding payable to the pension plan.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

As previously discussed, 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, 2017 is converted to the statement of net position by recording several financial transactions. As a result of implementing GASB 68, SGA records \$157,183 in deferred outflows related to pensions, \$106,839 in a net pension liability, and \$84,753 in deferred inflows for unamortized pension adjustments. Additionally, SGA increases capital assets of \$3,946 net of accumulated depreciation.

For the year ending June 30, 2017, the statement of revenues, expenditures, and changes in fund balances is converted to the statement of activities by recording depreciation and amortization expenses of \$3,697. Additionally grant award income recognized in the special revenue fund of \$60,595 is eliminated since it was previously recognized in the prior year in the June 30, 2016 statement of revenues, expenditures and changes in fund balance. Instead, grant award income of \$11,248 for retention is recognized in fiscal year 2017 earned grant award income. Due to the change in accounting principle adopted in 2017, SGA reflects a prior period adjustment of \$51,580 to restate net position at the beginning of the year. Lastly, pension expense is decreased by \$17,171 to reflect amortization of deferred outflows and inflows related to the pension plan.

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.

SACRAMENTO GROUNDWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 – INSURANCE (CONTINUED)

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:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability	\$ 5,000,000	\$ 55,000,000	None
Public Officials Liability	5,000,000	55,000,000	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

Grant Programs

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.

CalPERS Pension Plan

SGA established a pension plan with CalPERS starting July 1, 2016. A GASB No. 68 valuation report for SGA will be available starting in fiscal year 2019. Until SGA has its own reporting data, the net pension liability and related deferred outflows and inflows for pension adjustments are allocated between RWA and SGA based upon the CalPERS funding valuation data for each entity.

CalPERS will lower the discount rate of its pension plan valuations from 7.50% to 7.0% over a three year period. Lowering the discount rate will impact future pension liabilities, increasing unfunded liabilities. Estimates have not been made at this time to account for this change in discount rates.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO GROUNDWATER AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Program Revenues			
Assessment Income	\$ 682,200	\$ 682,216	\$ 16
Grant Awards	-	71,843	71,843
Total Program Revenues	682,200	754,059	71,859
General Revenue - Interest and Other Income	1,300	7,460	6,160
Total Revenues	683,500	761,519	78,019
PROGRAM EXPENDITURES			
Wages and Salaries	282,900	291,468	(8,568)
Employee Taxes and Benefits	168,400	153,163	15,237
Travel and Training	10,400	10,389	11
Rent	12,500	9,748	2,752
Insurance	12,500	12,656	(156)
Telephone	5,700	5,587	113
Dues and Subscriptions	3,900	4,371	(471)
Printing and Supplies	14,800	7,475	7,325
Postage	1,600	547	1,053
Computer Maintenance	3,600	3,616	(16)
Meetings	1,100	831	269
Audit	9,600	9,800	(200)
Legal Counsel Expense - General	40,000	16,335	23,665
Payroll and Banking Services	1,000	993	7
Capital Outlay and Equipment	3,900	2,607	1,293
Consulting Expenses - General Support Services	36,800	35,736	1,064
Consulting Expenses - Program Management	208,300	39,276	169,024
Total Expenditures	817,000	604,598	212,402
(DEFICIENCY) EXCESS REVENUE OVER PROGRAM EXPENDITURES	(133,500)	156,921	290,421
Fund Balance, July 1, 2016	464,606	464,606	-
Fund Balance, June 30, 2017	\$ 331,106	\$ 621,527	\$ 290,421

SACRAMENTO GROUNDWATER AUTHORITY
REQUIRED SUPPLEMENTARY DISCLOSURE
PENSIONS

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN**
Last Ten Years

	2017
Proportion of the net pension liability	0.003076%
Proportionate share of the net pension liability	\$ 106,839
Covered - employee payroll	\$ 263,178
Proportionate share of the net pension liability as a percentage of covered payroll	40.60%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	75.87%
SGA fiduciary net position as a percentage of the SGA pension liability	89.09%

Notes to Schedule:

There were no benefit or assumptions changes during the year.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
Last Ten Years

	Fiscal Year 2016-2017
Contractually required contribution (actuarially determined)	\$ 23,831
Contributions in relation to the actuarially determined contributions	\$ 50,731
Contribution deficiency (excess)	\$ (26,900)
Covered - employee payroll	\$ 266,850
Contributions as a percentage of covered - employee payroll	19.01%
Valuation date	June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level over 20 or 30 years, with 5 year ramp up and 5 year ramp down
Investment Rate of Return	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	3.32% to 12.2%, depending upon age and service
Post Retirement Benefit Increases	Contract COLA up to 2%

GASB Statement No. 68 was implemented during the year ended June 30, 2017. Only one year of data available.

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2017.

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

December 1, 2017

Sacramento Groundwater Authority Board Meeting
December 14, 2017

AGENDA ITEM 5: ELECTION OF 2018 SGA OFFICERS

BACKGROUND:

The SGA Board elects a chairperson and vice-chair annually at its December meeting. The Chair appointed a nominating committee including Rich Allen as chair, Neil Schild and Paul Schubert.

STAFF RECOMMENDATION:

Action: Elect 2018 SGA Chair and Vice Chair

**AGENDA ITEM 6: FEDERAL GOVERNMENT APPROVES SOCIAL SECURITY
COVERAGE FOR SGA EMPLOYEES**

BACKGROUND:

In early 2013, CalPERS' Office of Audit Services (OAS) audited the Regional Water Authority (RWA). In July 2013, OAS issued a draft report finding that five out of six RWA employees work only part time for RWA on the basis that those employees also provide services to the Sacramento Groundwater Authority (SGA). The findings allowed SGA to apply for CalPERS membership. SGA submitted a new agency application to CalPERS on February 2, 2015. SGA was informed by CalPERS that their membership was approved and they began making their own payments beginning on July 1, 2016.

In an attempt to mirror the Regional Water Authority's (RWA) contract with PERS, SGA needed to participate in the social security program. Votes were taken and all employees agreed to participate. This process has taken about a year to complete. To finalize the contract, the SGA Board has to approve the following items:

- 1) Certified copy of the Resolution of Intention**
- 2) Form CON-12, Certification of Governing Body's Action**
- 3) Form CON-12A, Certification of Compliance with Government Code Section 8507**

Once the Board adopts the Resolution of Intention on December 14, 2017, the earliest date that the final Resolution may be adopted is January 3, 2018. There must be a 20 day period between the adoption of the Resolution of Intention and the adoption of the final resolution pursuant to Government Code Section 20471. There are no exceptions to this law. The final resolution will be brought to the SGA Board of Directors at its February 8, 2018 meeting.

STAFF RECOMMENDATION:

Information Update: John Woodling, Executive Director

Action: Approve Resolution of Intention to Amend the SGA PERS Contract to Include Social Security Coverage

OCT - 4 2017



P.O. Box 720720 Sacramento, CA 94229-0720
888 CalPERS (or 888-225-7377)
TTY: (877) 249-7442 |
www.calpers.ca.gov

COPY

California Public Employees' Retirement System

September 21, 2017

Ms. Nancy Marrier
Finance and Administrative Services Manager
Sacramento Groundwater Authority
5620 Birdcage Street, Ste., 180
Citrus Heights, CA 95610

Dear Ms. Marrier:

The Sacramento Groundwater Authority's request for Social Security coverage was approved by the Federal Government on July 21, 2017.

Social Security is officially extended to all eligible employees of the Sacramento Groundwater Authority. All eligible employees in an employment relationship with the Sacramento Groundwater Authority on July 21, 2017 will receive coverage for all services performed for the Sacramento Groundwater Authority on and after July 1, 2016, the effective date of coverage established by your Application-Agreement.

The following employer identification number has been assigned to your coverage group for Social Security purposes:

69-00934229

Please use this number on any correspondence you send to this office.

Enclosed is a copy of Internal Revenue Service instructions regarding deposit and reporting requirements. If you have any questions about the Social Security program, please feel free to contact us.

Sincerely,

Roselee Camacho

Roselee Camacho
CalPERS - State Social Security Administrator Program

Enclosure

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
SACRAMENTO GROUNDWATER AUTHORITY**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide 2% @ 55 Full and Supplemental formula from (2% @ 55 Full formula) for local miscellaneous members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Chair
Title

12-14-17
Date adopted and approved

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Financial Office | Pension Contract Management

Services & Prefunding Programs

P.O. Box 942703 Sacramento, CA 94229-2703

888 CalPERS (or 888-225-7377)

TTY: (877) 249-7442 | Fax: (916) 795-4673

www.calpers.ca.gov

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

Board of Directors of the
(governing body)

Sacramento Groundwater Authority
(public agency)

on 12-14-17
(date)

Clerk/Secretary

Financed Admin Services Manager
Title

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Financial Office | Pension Contract Management
Services & Prefunding Programs
P.O. Box 942703 Sacramento, CA 94229-2703
888 CalPERS (or 888-225-7377)
TTY: (877) 249-7442 | Fax: (916) 795-4673
www.calpers.ca.gov

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs as determined by the System Actuary for the increase/change in retirement Benefit(s) have been made public at a public meeting of the Board of Directors
(governing body)

of the Sacramento Groundwater Authority on 12-14-17
(public agency) (date)

which is at least two weeks prior to the adoption of the Resolution / Ordinance.

Adoption of the retirement benefit increase/change will not be placed on the consent calendar.

Clerk/Secretary

Finance + Admin Services Manager
Title

Date 12-14-17



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

**Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Sacramento Groundwater Authority**

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective July 1, 2016, and witnessed June 9, 2016, which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 12 are hereby stricken from said contract as executed effective July 1, 2016, and hereby replaced by the following paragraphs numbered 1 through 12 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for classic local miscellaneous members and age 62 for new local miscellaneous members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after July 1, 2016 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorney fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Employees other than local safety members (herein referred to as local miscellaneous members).
5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **SAFETY EMPLOYEES.**
6. The percentage of final compensation to be provided for each year of credited prior and current service for classic local miscellaneous members shall be determined in accordance with Section 21354 of said Retirement Law, provided therein for service on and after May 22, 2017, for members whose service has been included in Federal Social Security (2% at age 55 Full and Supplemental).

PLEASE DO NOT SIGN "EXHIBIT ONLY"

7. The percentage of final compensation to be provided for each year of credited prior and current service as a new local miscellaneous member shall be determined in accordance with Section 7522.20 of said Retirement Law (2% at age 62 Supplemental to Federal Social Security).
8. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).
9. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.
10. Public Agency shall also contribute to said Retirement System as follows:
 - a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.
 - b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
11. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

12. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
SACRAMENTO GROUNDWATER
AUTHORITY

BY _____
ARNITA PAIGE, CHIEF
PENSION CONTRACTS AND PREFUNDING
PROGRAMS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

Sacramento Groundwater Authority Board Meeting
December 14, 2017

**AGENDA ITEM 7: SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA)
UPDATE**

BACKGROUND:

The California Department of Water Resources released a draft best management practice document for developing Sustainable Management Criteria for a groundwater basin. The comment period extends to January 8, 2018. Staff will review and comment on the document and also coordinate comments from ACWA.

STAFF RECOMMENDATION:

Information Update: John Woodling, Executive Director

Sacramento Groundwater Authority Board Meeting
December 14, 2017

AGENDA ITEM 8: GROUNDWATER MANAGEMENT PROGRAM UPDATE

BACKGROUND:

Staff will provide an update on items relevant to the SGA groundwater management program.

STAFF RECOMMENDATION:

Information Update: Rob Swartz, Manager of Technical Services

Sacramento Groundwater Authority Board Meeting
December 14, 2017

AGENDA ITEM 9: EXECUTIVE DIRECTOR'S REPORT

DECEMBER 14, 2017

TO: SACRAMENTO GROUNDWATER AUTHORITY BOARD

FROM: JOHN WOODLING

RE: EXECUTIVE DIRECTOR'S REPORT

- a. **SGA Outreach** – Mr. Woodling attended the National Water Resources Association Groundwater Task Force meeting on October 24, 2017, representing SGA and ACWA. The task force focuses on issues related to federal involvement (including in the courts) on state groundwater issues. The next meeting of the Task Force will be held January 3rd, 2018. Mr. Woodling chaired the ACWA Groundwater Committee meeting at the Fall Conference on November 28, 2017. The GW Committee continues to be one of the most active ACWA Committees, and a primary venue to get comprehensive updates on SGMA implementation.

Sacramento Groundwater Authority Board Meeting
December 14, 2017

AGENDA ITEM 10: DIRECTORS' COMMENTS