SACRAMENTO GROUNDWATER AUTHORITY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

SACRAMENTO GROUNDWATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

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 fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and special revenue fund of the Sacramento Groundwater Authority as of June 30, 2021, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Report on summarized Comparative Information

We have previously audited the Sacramento Groundwater Authority's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

December 1, 2021

The Sacramento Groundwater Authority (SGA) is a joint powers authority created to collectively manage, protect, and sustain the Sacramento region's north area groundwater resources, which includes all of Sacramento County north of the American River. The mission is to manage these water resources consistent with the Sacramento Water Forum Agreement for the benefit of water users within the Sacramento basin and to coordinate with other water management entities and activities throughout the region. The following discussion and analysis of the SGA financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2021, and 2020. This discussion analysis should be read in conjunction with the financial statements and can be found on pages 12 to 33 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 (GASB) requires reporting fund balances 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 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 unused revenues would be classified as a restricted fund balance.

The basic financial statements include governmental fund balance sheet/statements of net position and the statement of revenues, expenditures, and changes in fund balance/statements of activities. Additionally, the statements of revenues, expenditures, and changes in fund balance – budget to actual are included as required supplementary information on pages 30 and 31 of this report.

SGA as a single governmental joint power authority (JPA) presents their fund financial statements with their government wide statements on the Statement of 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 statement of revenues, expenditures, and changes in fund balance/statements of activities report all of SGA's revenues and expenditures/expenses during the periods ended June 30, 2021 and 2020. 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 unavailable revenue but can include capital asset purchases as expenditures. These budget to actual fund balance statements can be found on pages 30 to 31.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The notes to the financial statements can be found on pages 14 to 29 of this report.

Condensed Statements of Net Position

For the fiscal years ended June 30, the following condensed comparative Statements of Net Position using a net position basis are presented:

	2021	2020	Change	2019	Change
Other Assets	$ 934,899	$ 903,602	$ 31,297	$1,199,686	$(296,084)
Deferred Outflows - Pension	83,084	67,144	15,940	110,859	(43,715)
Capital Assets, net	8,682	-	8,682	-	-
Total Assets and Deferred Outflows	1,026,665	970,746	55,919	1,310,545	(339,799)
Current Liabilities	161,938	81,123	80,815	314,246	(233,123)
Non-Current Liabilities	79,009	63,208	15,801	84,845	(21,637)
Total Liabilities	240,947	144,331	96,616	399,091	(254,760)
Deferred Inflows - Pension	32,359	43,024	(10,665)	27,912	15,112
Net Position:					
Invested in capital assets	8,682	-	8,682	-	-
Restricted	744,677	783,391	(38,714)	883,542	(100,151)
Total Net Position	$ 753,359	$ 783,391	$ (30,032)	$ 883,542	$(100,151)

Fiscal year 2021 compared to Fiscal year 2020

Other assets consist of cash and investments, grants receivable, interest receivable and prepaid assets. Other assets increased from the previous year due to an increase in cash and investments by $36,832, mainly due to the timing of the payment of year end payables to vendors and an adjustment in capital assets resulting from the computer server replacement and upgrade.

Current liabilities have increased from the previous year and include amounts due to vendors, and a payable to the Regional Water Authority (RWA). The increase is substantially a result from the timing of payments to vendors who are working on the projects fulfilling the SGWP grant. 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 $76,782 for administrative service costs incurred towards the end of the fiscal year due to RWA.

The non-current liability of $79,009 reflects a net increase from the prior year due to paying additional pension payments towards SGA's CalPERS pension plan. See Note 5 for additional information about SGA's pension plan with CalPERS.

The increase in deferred outflows and decrease in deferred inflows are a result of changes in estimates from CalPERS pension plan actuarial valuations. The significant change during the fiscal year 2021 was a result of an increase in SGA's anticipated proportionate share of the net pension liability due to changes in CalPERS assumptions (discount rate, amortization, methodology, etc.) that was reported by CalPERS in fiscal year 2020 and was only exacerbated by the economic downturn caused by COVID-19 pandemic.

The restricted net position may be used to meet SGA's ongoing obligations to member agencies and creditors. The decrease reflects the difference between revenues and expenditures during the fiscal year.

For fiscal year 2021, $559,700 of restricted net position has been designated for a general operating fund to mitigate current and future risks due to revenue shortfalls and unanticipated expenses, update and modeling towards future GSP update, and potential expenses associated with a future office relocation or remodel. As of 2021, there are no designated funds for SGMA. See note 4 of notes to basic financial statements for the designation balances by type and the restricted fund balance.

Fiscal year 2020 compared to Fiscal year 2019

Other assets consist of cash and investments, grants receivable, interest receivable and prepaid assets. The decrease in fiscal year 2020 was due to a decrease in grants receivable. Cash and investments also decreased mainly due to the timing of the payment of year end payables to vendors. See note 4 for additional information.

Current liabilities decreased from the previous year and is substantially from amounts payable to the vendors who are working on the projects fulfilling the SGWP grant along with a payable to RWA. The current liabilities included $31,705 for administrative service costs incurred at year end.

The non-current liability of $63,208 reflected a net decrease from the prior year due to paying additional pension payments towards SGA's CalPERS pension plan. See Note 5 for additional information about SGA's pension plan with CalPERS.

The decreases in deferred outflows and increase in inflows were a result of changes in estimates from CalPERS pension plan actuarial valuations. The significant change during the fiscal year 2020 was a reduction in SGA's anticipated proportionate share of the net pension liability due to changes in CalPERS assumptions.

For fiscal year 2020, $388,469 of restricted net position had been designated for implementing the Sustainable Groundwater Management Act (SGMA) requirements and for a general operating fund contingency. See note 4 of notes to basic financial statements for the designation balances by type and the restricted fund balance.

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

For the fiscal years ended June 30, the following condensed Statements of Activities are presented:

	June 30, 2021	June 30, 2020	Change	June 30, 2019	Change
Program Revenue:					
Assessment Income	$ 742,656	$ 710,509	$ 32,147	$ 715,859	$ (5,350)
SGMA Grant Income	263,226	397,103	(133,877)	212,193	184,910
SGMA Partner Fees	49,719	53,230	(3,511)	149,043	(95,813)
Total Program Revenue	1,055,601	1,160,842	(105,241)	1,077,095	83,747
General Revenue - Interest and Other Incom	5,760	20,553	(14,793)	35,521	(14,968)
Total Revenue	1,061,361	1,181,395	(120,034)	1,112,616	68,779
Program Expenses	630,207	650,701	(20,494)	600,829	49,872
SGMA Grant Expenses	461,186	630,845	(169,659)	361,235	269,610
Total Expenses	1,091,393	1,281,546	(190,153)	962,064	319,482
Increase (decrease) in Net Position	(30,032)	(100,151)	70,119	150,552	(250,703)
Net Position July 1	783,391	883,542	(100,151)	732,990	150,552
Net Position June 30	$ 753,359	$ 783,391	$ (30,032)	$ 883,542	$ (100,151)

Fiscal year 2021 compared to Fiscal year 2020

As planned, assessment fees totaled $742,656 and are $32,147 higher than in the previous year representing an overall 4% increase in fee revenue. 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 2021, the groundwater fee increased by ten percent from the previous year at $6.60 per acre foot, based upon a running five-year average of historical volume, which was calculated as 64,291 acre-feet. The base administrative formula minimum fee was $10,605 per member. The connection fee was $1.37 per connection for connections greater than 6,000. The long-term target for base fees is to achieve 40% coverage of costs.

State, federal and local government grants will vary from year to year based upon availability and applicability to SGA's mission. During fiscal year 2021, SGA earned SGMA grant income from the SGWP DWR grant. DWR awarded SGA a $994,276 grant to complete a single Groundwater Sustainability Plan (GSP) encompassing five GSAs which cover the North American Basin. The portion of grant income recognized during fiscal year 2021 represents work completed through June 30, 2021.

The five GSAs (referred to as SGMA partners) include SGA, the Reclamation District 1001 GSA, the South Sutter Water District GSA, the Sutter County GSA, and the West Placer GSA. SGA is the grantee and coordinates grant compliance with the five GSAs.

The total project costs and funding sources are as follows:

Direct Partner Contributions Prior to DWR Grant Award	$ 67,395
In-Kind Partner Staff Time	258,630
Direct Contributions from Partners/SGA	726,402
DWR Grant Award	994,276
Total Project Cost	$2,046,703

Of the $726,402 in direct contributions from partners and SGA, SGA's commitment is $262,862 in project costs through June 30, 2021 and the balance of $463,720 is funded by SGMA partners. The SGMA partner funding of $463,720 will be contributed in two ways. SGMA partners will make direct payments to contractors working on behalf of individual SGMA partner agencies, totaling $215,076. The remaining $248,644 will be paid by the SGMA partners through fees collected by SGA. These partner fees are expected to be earned over a three-year period and should match the time frame of grant expenditures by the SGMA partners and SGA. For the year ended June 30, 2021, SGA earned $263,226 in grant income from DWR and $49,719 in partner fee income to reimburse SGA for SGMA grant consulting costs.

General revenue representing interest and other income is lower than the prior year mainly due to a decrease in Local Agency Investment Fund (LAIF) investment balances.

Program expenses are lower than the prior year due to the lower salaries of new staff than prior staff and in general a lower operating cost due to the COVID-19 pandemic with staff working remotely, lack of public meetings, no travel and training.

SGMA grant expenses reflect consulting costs incurred for the SGWP grant that are funded by a combination of the direct contributions from the SGMA partners and reimbursed from the DWR SGWP grant.

Fiscal Year 2020 Compared to Fiscal Year 2019

Assessment fees total $710,509 and were $5,350 lower than the prior year since groundwater acre-feet declined from the prior year. However, fees remained unchanged. In fiscal year 2020, the groundwater fee was $6.00 per acre foot, based upon a running five-year average of historical volume, calculated at 62,892 acre-feet. The base administrative formula minimum fee was $10,100 per member. The connection fee was $1.31 per connection for connections greater than 6,000.

During fiscal year 2020, SGA earned grant revenues and incurred grant expenses in the amount of $397,103 and $53,230 in partner fee income to reimburse SGA for SGMA grant consulting costs.

General revenue of $20,553 represented mostly interest earned.

An increase program expenses is a result of multiple staff actions including filling the Executive Director vacancy, vacation payout due to the retirement of the Finance and Administrative Services Manager (FASM), and the hiring of a part-time annuitant.

Capital Assets

Capital asset investments includes office furniture, office, and leasehold improvements and as of June 30, 2021, capital assets have increased due to the replacement and upgrade of the computer server which is a shared asset by both the Sacramento Groundwater Authority and Regional Water Authority. If the capital asset purchase benefits both SGA and RWA, then the acquisitions are co-owned, and each authority pays 50% of the acquisition cost. Assets only benefiting SGA are paid fully by SGA.

	Balance June 30, 2021	Balance June 30, 2020
Furniture	$ 4,590	$ 4,590
Equipment	13,843	14,624
Leasehold Improvements	14,786	14,786
Gross Capital Assets	33,219	34,000
Less accumulated depreciation and amortization	(24,537)	(34,000)
Capital Assets, net	$ 8,682	$ -

Special Revenue Fund Condensed Budgetary Analysis

For the fiscal year ended June 30, 2021, the following condensed Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual is presented:

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)	% Change
Program Revenues				
Assessment Income	$ 742,656	$ 742,656	$ -	-
SGMA Grant Income	270,000	245,866	(24,134)	(9%)
SGMA Partner Fees	42,000	49,719	7,719	18%
Total Program Revenues	1,054,656	1,038,241	(16,415)	(2%)
General Revenue - Interest and Other Income	15,000	5,760	(9,240)	(62%)
Total Revenues	1,069,656	1,044,001	(25,655)	(2%)
Expenditures				
Administrative	602,949	512,843	90,106	15%
Office	70,050	56,292	13,758	20%
Professional Fees	164,350	65,800	98,550	60%
Capital Outlay and Equipment	14,300	14,758	(458)	(3%)
SGMA Grant Expenditures	470,000	461,186	8,814	2%
Total Expenditures	1,321,649	1,110,879	210,770	16%
Expenditures (Over) Under Revenues	(251,993)	(66,878)	185,115	73%
Fund Balance, July 1, 2020	784,794	784,794	-	-
Fund Balance, June 30, 2021	$ 532,801	$ 717,916	$ 185,115	35%

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 significantly lower compared to the expected budget by $185,115. Significant budget versus actual variances are as follows.

SGMA Grant Income

SGA budgeted what was expected to be earned from the DWR grant. The grant income for the year ended June 30, 2021 only reflects available revenues which have been collected from DWR as determined by the special revenue fund accounting rules. SGA has earned and is expecting another $55,045 in DWR grant proceeds which is not yet reflected in this budget to actual financial statement. However, this additional grant income is reflected in the statement of activities. SGA previously estimated the annual expected DWR revenue for this period and ultimately is expected to earn $994,276 over a three-year grant period.

SGMA Partner Fees

SGMA partner fee income is derived from the GSA partners who share in the cost obligations for fulfilling the grant agreement. For fiscal year 2021, the budgeted amount of partner fees was estimated at $42,000. The $49,719 in partner fee income reflect the amounts invoiced to the GSAs according to the cost sharing funding arrangement between the GSAs including a portion of contingency funds that is anticipated to be used to complete the GSP.

Administrative

SGA incurs administrative expenses from RWA to manage SGA. Total actual administrative costs were $90,106 lower than budgeted due to lower-than-expected OPEB and payroll tax costs as well as suspended travel and training as a result of COVID-19 pandemic. Administrative expenses are budgeted based upon common costs from an allocation of administrative time under the Administrative Services Agreement with RWA.

Office

Office expenses are shared 50/50 with RWA as part of the administrative services agreement. Overall, these costs were $13,758 lower than budgeted. Most of the savings came from lower than planned office expenses associated with COVID-19 pandemic.

Professional Fees

Overall professional fees came in lower than budgeted by $98,550 due to a decrease in legal services, SGA consultants, and reduced activity due to COVID-19 pandemic.

Capital Outlay and Equipment

Capital outlay and equipment represents SGA’s share in the cost of office and computer equipment which met SGA’s asset capitalization policy including the replacement and upgrade of the computer server.

SGMA Grant Expenditures

As previously discussed, DWR awarded SGA the SGWP grant for $994,276 and is expected to take three years to complete through June 30, 2021. SGA manages the grant and coordinates the matching grant information from partner activities that fulfill the grant agreement requirements. During the year ended

June 30, 2021, these expenditures represent costs paid to consultants to execute the projects required under the grant agreement.

Economic factors and assumptions for fiscal year June 30, 2022

SGA assessment fees continue to be based upon two components: a groundwater fee and a base administrative fee formula. SGA proposed an overall fifteen percent (15%) increase to the fiscal year 2022 fees to increase staff by one position, an Associate Project Manager which will be fully funded by SGA, to assist with ongoing GSP activities. It is expected that this position will be funded in the latter part of fiscal year 2022 and as such has been allocated expenses for six months of the budget year.

With this increase in fees, it is expected that revenues will cover expenses. In the event of any minor overages, SGA has adequate reserves to offset the difference. Each member's specific fee change depends upon the changes in their water connections and groundwater extraction from the previous year.

Major budget assumptions used in adopting the June 30, 2022 budget include:

1) SGA expects to continue implementation of the SGWP grant as part of the commitment to SGMA.

2) 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 will not be allocated to SGA. Likewise, costs benefiting only SGA will be paid by SGA.

3) Staff salaries reflect a possible 4% increase for merit and a possible COLA of 2%. Employees are paying their 100% share of the pension plan contribution.

4) In addition to sharing in 50% of administrative staff time from RWA, SGA plans to continue to use 20% of RWA's project assistant, reimburse 100% of the hourly annuitant cost, contribute 10% of the Legislative Affairs Manager's salary and benefits cost in order to receive updates regarding groundwater issues, and bring on an Associate Project Manager. Total FTE count for SGA is proposed to be 3.3 FTEs.

5) Benefit costs also include projected increases for allocated OPEB and health care.

6) An additional $26,700 payment to CalPERS is budgeted in fiscal year 2022 as an incremental early payment of SGA's allocated unfunded pension liability.

7) Professional fees include public relations, human resources, accounting, actuarial, and legal.

8) The SGA consulting budget reflects $60,000 in out-sourced support activities for a review of the groundwater management report, updating the groundwater sustainability plan (GSP), monitoring water quality, maintaining the data management system, and groundwater modeling.

9) The operating fund plus undesignated cash is projected to be approximately 7.4 months for fiscal year 2022. These available funds are slightly over the recommended six-month policy limits but may be drawn down over time or may be used for future SGMA and/or other programmatic costs as approved by the board.

10) Overall expenses are expected to exceed fees by $18,490 as a result of a carryover budget request for SGMA unused funds. It is expected that SGA's cash balance will improve upon completion of SGMA and release of retainage amounts which will balance any interim cash flow fluctuations.

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 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 / STATEMENTS OF NET POSITION JUNE 30, 2021 AND 2020

	June 30, 2021			June 30, 2020
	Special Revenue Fund	Adjustments (Note 6)	Statement of Net Position	Statement of Net Position
ASSETS				
Cash and Investments	$ 872,347	$ -	$ 872,347	$ 835,515
Grants Receivable	57,163	-	57,163	58,241
Interest Receivable	692	-	692	2,785
Prepaid Assets	4,697	-	4,697	7,061
Capital Assets, net	-	8,682	8,682	-
Total Assets	934,899	8,682	943,581	903,602
Deferred Outflows - Pension	-	83,084	83,084	67,144
Total Assets and Deferred Outflows	$ 934,899		1,026,665	970,746
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 85,156	-	85,156	20,901
Payable to Regional Water Authority	76,782	-	76,782	31,705
Unearned Revenue	-	-	-	28,517
Total Current Liabilities	161,938	-	161,938	81,123
Non-Current Liabilities				
Net Pension Liability	-	79,009	79,009	63,208
Total Liabilities	161,938	79,009	240,947	144,331
Deferred Inflows				
Pension	-	32,359	32,359	43,024
Unavailable Revenue	55,045	(55,045)	-	-
Total Deferred Inflows	55,045	(22,686)	32,359	43,024
FUND BALANCES				
Non-spendable	4,697	(4,697)	-	-
Restricted	713,219	(713,219)	-	-
Total Fund Balance	717,916	(717,916)	-	-
Total Liabilities and Fund Balances	$ 934,899			
NET POSITION				
Invested in Capital Assets		8,682	8,682	-
Restricted		744,677	744,677	783,391
Net Position		$ 753,359	$ 753,359	$ 783,391

SACRAMENTO GROUNDWATER AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/ STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2021 AND 2020

	June 30, 2021			June 30, 2020
	Special Revenue Fund	Adjustments (Note 6)	Statement of Activities	Statement of Activities
REVENUES				
Program Revenue:				
Assessment Income	$ 742,656	$ -	$ 742,656	$ 710,509
SGMA Grant Income	245,866	17,360	263,226	397,103
SGMA Partner Fees	49,719	-	49,719	53,230
Total Program Revenue	1,038,241	17,360	1,055,601	1,160,842
General Revenue - Interest and Other Income	5,760	-	5,760	20,553
Total Revenue	1,044,001	17,360	1,061,361	1,181,395
PROGRAM EXPENDITURES/EXPENSES				
Shared and Direct Expenditures/Expenses:				
Wages and Salaries	385,946	-	385,946	341,470
Employee Taxes and Benefits	126,491	(10,804)	115,687	168,682
Travel and Training	406	-	406	8,777
Administrative	512,843	(10,804)	502,039	518,929
Rent	17,155	-	17,155	15,891
Insurance	15,928	-	15,928	15,226
Telephone	4,836	-	4,836	6,119
Dues and Subscriptions	5,112	-	5,112	5,763
Printing, Supplies, Postage and Meetings	4,168	-	4,168	7,995
Computer Maintenance	9,093	-	9,093	6,304
Office	56,292	-	56,292	57,298
Audit and Banking	15,182	-	15,182	28,446
Legal	20,677	-	20,677	11,644
Consultants	29,941	-	29,941	30,551
Professional Fees	65,800	-	65,800	70,641
Capital Outlay and Equipment	14,758	(10,214)	4,544	3,833
Depreciation and Amortization	-	1,532	1,532	-
Total Program Expenditures/Expenses	649,693	(19,486)	630,207	650,701
SGMA Grant Expenditures	461,186	-	461,186	630,845
Total Expenditures/Expenses	1,110,879	(19,486)	1,091,393	1,281,546
EXCESS OF REVENUES OVER PROGRAM EXPENDITURES	(66,878)			
(DECREASE) INCREASE IN NET POSITION		36,846	(30,032)	(100,151)
FUND BALANCES/NET POSITION				
Beginning Balance, July 1	784,794	(1,403)	783,391	883,542
Fund Balance/Net Position, June 30	$ 717,916	$ 35,443	$ 753,359	$ 783,391

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of reporting entity – Sacramento Groundwater Authority (SGA) was formed under a Joint Exercise of Powers Agreement (JPA) 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 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.

Basis of Accounting:

SGA accounts for its financial activities as a Special Revenue Fund because its revenue sources are legally restricted for specified purposes.

Fund financial statements – 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.

Governmental-wide financial statements – The statements of net position and the statements of activities display information about SGA. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. This presentation differs from the manner in which the governmental fund financial statements are prepared. Therefore, Note 6 details the adjustments with brief explanations to identify the major differences between the fund financial statements and the governmental-wide financial statements.

Net position is the difference between assets, deferred outflows, liabilities and deferred inflows on the governmental-wide financial statements. Net position invested in capital assets is 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.

The accounting treatment for grant award revenue depends on whether it is reported in the government-wide or fund financial statements. In the fund financial statements, these grant award revenues will only be recognized when available during the fiscal year. Until such time, the grant award revenues are reflected as a receivable and as unavailable revenue. In the government-wide statements, grant award revenue is recognized when it is earned.

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.

Future Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87*, Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for the year ended June 30, 2022.

SGA will analyze the impact of this new Statement prior to the effective date listed above.

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.

Net Pension Liability and Related Balances – For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value by CalPERS and not reported by SGA. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications (www.calpers.ca.gov). Reported results pertain to liability and asset information within the following defined timeframes:

For the year ended June 30, 2021

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

For the year ended June 30, 2020

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

Deferred outflows of resources is a consumption of net position by SGA that is applicable to a future period and deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statements of net position, but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate according to GASB Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 (GASB 68). See Note 5 for further details related to the pension deferred outflows and inflows.

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 $6.60 and $6.00 per acre foot for the years ended June 30, 2021 and 2020, respectively.

The base administrative fee was calculated based upon the number of connections and was set at a minimum of $10,605 and $10,100 for the first 6,000 connections and $1.37 and $1.31 for each connection after 6,000 for the years ended June 30, 2021 and 2020, respectively.

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 its own 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 each 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 staff employer who administers SGA activities and projects. SGA inherited allocated unfunded liabilities and investment assets from RWA. SGA's allocation results in a net pension liability for SGA. The net pension liability and the related deferred inflows and outflows reflected in the June 30, 2021 and 2020 financial statements are based on a CalPERS determined proportionate share. See Note 5 for additional pension plan disclosures.

During the fiscal years ended June 30, 2021 and 2020, SGA incurred shared expenses of $532,149 and $521,405, respectively, reflecting SGA's 50% share of all common joint office costs, including administrative personnel expenses. At June 30, 2021 and 2020, SGA owed RWA $76,782 and $31,705, respectively for these administrative related costs.

Fund Balances

SGA has the following two categories of fund balance:

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 a 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.

The Board of Directors can vote to approve assigning or committing specific fund balances. See Note 4 for additional information regarding fund balance.

Capital assets – The accounting treatment over capital assets depends on whether they are reported in the government-wide or fund financial statements. In the government-wide statements, capital assets are capitalized and consist of office furniture 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.

Capital 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 capitalized in the government-wide financial statements. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. Leasehold improvements are amortized over the remaining life of the lease.

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.

2. CASH AND INVESTMENTS

Cash and investments in the statement of net position consist of the following at June 30:

	2021	2020
Deposits with Financial Institutions	$ 57,905	$ 103,746
Investments with LAIF	814,442	731,769
Total Cash and Investments	$ 872,347	$ 835,515

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, 2021 and 2020, the average maturity of the investments contained in the LAIF investment pool was approximately 291 and 191 days, respectively.

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. SGA has 93% and 88% of its cash invested in LAIF at June 30, 2021 and 2020, respectively.

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 using mutual funds or government investment pools such as LAIF. At June 30, 2021 and 2020, SGA's bank balance was $57,905 and $194,217, respectively. The FDIC's basic insurance limit is $250,000 per depositor.

Investment in State Investment Pool

SGA is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by state statute. The fair value of the investment in this pool is reported in the accompanying financial statements at amounts based upon SGA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio in relation to the amortized cost of that portfolio. The available withdrawal balance 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, 2021 and 2020 was $37,066,592,514 and $32,075,372,648, 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, 2021 and 2020 was $193,463,490,765 and $101,788,256,254, respectively. For information on the types of investments made by LAIF, refer to the State of California Treasurer's separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer's website at www.treasurer.ca.gov/pmia-laif/reports/monthly.asp.

3. CAPITAL ASSETS

A summary of capital assets are as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Furniture	$ 4,590	$ -	$ -	$ 4,590
Equipment	14,624	10,214	(10,995)	13,843
Leasehold Improvements	14,786	-	-	14,786
Total	34,000	10,214	(10,995)	33,219
Less accumulated depreciation	(34,000)	(1,532)	10,995	(24,537)
Capital Assets, Net	$ -	$ 8,682	$ -	$ 8,682

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Furniture	$ 14,759	$ -	$ (10,169)	$ 4,590
Equipment	17,307	-	(2,683)	14,624
Leasehold Improvements	17,951	-	(3,165)	14,786
Total	50,017	-	(16,017)	34,000
Less accumulated depreciation	(50,017)	-	16,017	(34,000)
Capital Assets, Net	$ -	$ -	$ -	$ -

4. FUND BALANCE AND NET POSITION

Fund Balance

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.

Net Position

SGA's net position consists of 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.

Board Designations

The Board approves an operating fund target balance during the budget process, designated to be used for working capital needs, budget contingencies, and grant opportunities. The operating fund balance target is equivalent to four to six months of operating expenses. The current year 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.

The Board of Directors approved designations for the years ended June 30 are as follows:

	2021	2020
Operating Fund	$ 474,700	$ 306,300
Update/Modeling GSP	65,000	-
Office Expansion/Relocation	20,000	-
SGMA Implementation	-	82,169
	$ 559,700	$ 388,469

5. RETIREMENT PLAN

Plan Description

SGA participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by CalPERS. SGA was granted its own PERS pension plan beginning July 1, 2016 for the work done by RWA employees on behalf of SGA. Since SGA has less than 100 active members as of the years ended June 30, 2020 and 2019 (measurement dates), qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool (Miscellaneous Pool). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute. The Miscellaneous Pool 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).

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. For the Miscellaneous Pool, eligible members must be at least 50 and have a minimum of five years of CalPERS-credited service. Under the PEPRA plan, members after January 1, 2013 must be at least 52.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers are determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pool, 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. The required contribution rates were as follows:

Measurement Period	Classic and PEPRA
June 30, 2020	12.417%
June 30, 2019	11.556%

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2021 and 2020, the employer required contributions to the plan were $36,316 and $32,003, respectively. Additionally, SGA made non-required employer pension contributions of $26,700 and $14,500 for the years ended June 30, 2021 and 2020, further reducing its unfunded liability.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

SGA's net pension liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2020 and 2019 for the years ended June 30, 2021 and 2020, respectively. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2019 and 2018 rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures. For the years ended June 30, SGA's proportionate share of the Plan's NPL are as follows:

	2021	2020
Net Pension Liability	$ 79,009	$ 63,208

Using SGA's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for the SGA by the actuary for the June 30, 2020 and 2019 measurement date. The following tables show SGA's employer allocation factors for the Plan as of the measurement dates for June 30:

2020:	**Plan**
Proportion - June 30, 2020	.0018731%
Proportion - June 30, 2019	.0015784%
Change – increase	.0002947%

2019:	**Plan**
Proportion - June 30, 2019	.0015784%
Proportion - June 30, 2018	.0022513%
Change – decrease	(.0006729)%

For the measurement periods ended June 30, 2020 and 2019 (the measurement dates), SGA incurred a pension expense of $52,212 and $37,190, respectively.

At June 30, the deferred outflows of resources related to pensions from the following sources are:

	Deferred Outflow of Resources	
	2021	2020
Contributions after measurement date	$ 63,016	$ 46,503
Difference between actual and expected experience	4,072	4,390
Changes in assumptions	-	3,014
Net difference between projected and actual earnings on plan investments	2,347	-
Adjustments due to differences in proportions	13,649	13,237
	$ 83,084	$ 67,144

The $63,016 and $46,503 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date are recognized as a reduction of the NPL for the years ending June 30, 2022 and 2021, respectively.

At June 30, the deferred inflow of resources related to pensions from the following sources are:

	Deferred Inflow of Resources	
	2021	**2020**
Difference between actual and expected experience	$ -	$ 340
Changes in assumptions	564	1,068
Differences between employer contributions and the employer's proportionate share of contributions	21,421	23,616
Net difference between projected and actual earnings on plan investments	-	15 1,105
Adjustments due to differences in proportions	10,374	16,895
	$ 32,359	$ 43,039

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future pension expense as follows at June 30:

2021:

Measurement Period Ended June 30:	Deferred Outflows (Inflows) of Resources
2022	$ (7,209)
2023	(7,397)
2024	1,189
2025	1,126

2020:

Measurement Period Ended June 30:	Deferred Outflows (Inflows) of Resources
2021	$ (6,250)
2022	(7,988)
2023	(8,368)
2024	223

Actuarial Assumptions

For the measurement periods ended June 30, 2020 and 2019 (the measurement dates), the TPL was determined by rolling forward the June 30, 2019 and 2018 TPL, respectively. The June 30, 2020 and 2019 TPL were based on the following actuarial methods and assumptions:

2020:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table(1)	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

2019:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table(1)	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016.

Changes in Assumptions

No benefit or assumption changes were made for the measurement periods ended June 30, 2020 and June 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 (the measurement date) was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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+ 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 for each fund. 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 adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal years ended June 30, 2020 and 2019.

The tables below reflect the long-term expected real rate of return by asset class as of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation as follows:

	June 30, 2020		
Asset Class(a)	**New Strategic Allocation**	**Real Return Years 1 - 10(b)**	**Real Return Years 11+(c)**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100.0%		

(a) In the CalPERS' System CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

	June 30, 2019		
Asset Class(a)	**New Strategic Allocation**	**Real Return Years 1 - 10(b)**	**Real Return Years 11+(c)**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100.0%		

(a) In the CalPERS' System CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportional Share of the NPL to Changes in the Discount Rate

The following presents SGA's Proportional Share of the NPL of the Plan, calculated using the discount rate of 7.15% for both measurement dates June 30, 2020 and 2019, respectively, as well as what the Authority's Proportional Share of the NPL 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:

2020:

	Discount Rate – 1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate + 1% (8.15%)**
Authority's Proportionate Share of Plan's NPL	$ 266,589	$ 79,009	$ (75,982)

2019:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Proportionate Share of Plan's NPL	$ 227,211	$ 63,208	$ (72,165)

Payable to the Pension Plan – At June 30, 2021 and 2020, SGA did not have outstanding payables to the pension plan.

6. RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

The governmental fund balance sheet for June 30, 2021 is converted to the statement of net position by recording several financial transactions. SGA records $8,682 in capital assets, net of accumulated depreciation. As a result of GASB 68, SGA records $83,084 in deferred outflows related to pensions, $79,009 in net pension liability, and $32,359 in deferred inflows for unamortized pension adjustments. Additionally, deferred inflows decreased by $55,045 related to unavailable grant revenues, reflecting Sustainable Groundwater Planning (SGWP) grant revenue earned during the year ending June 30, 2021, but not yet collected.

For the year ended June 30, 2021, the statement of revenues, expenditures, and changes in fund balances is converted to the statement of activities by recording several financial transactions. Grant revenues increased by $17,360 to reflect grant revenue earned based upon grant activity incurred. Pension expense decreased by $10,804 to reflect amortization of deferred outflows and inflows and adjustments to the net pension liability related to the pension plan. Additionally, SGA contributed 50% of a computer server replacement and upgrade with Regional Water Authority in the amount of $10,214 which meets SGA's capitalization policy. This amount less accumulated depreciation of $1,532 resulted in $8,682 increase in net capital assets.

7. INSURANCE

SGA participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general liability, public officials' liability, property damage, and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level.

SGA pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate ACWA/JPIA.

SGA's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General, Auto and Public Officials Errors & Omissions Liability	$ 5,000,000	$ 50,000,000	None
Cyber Liability	-	5,000,000	None
Property Coverage	100,000	499,900,000	$1,000 - $25,000/$100,000 (1)
Fidelity Insurance	100,000	-	1,000

(1) Earthquake deductible varies

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

Copies of the ACWA/JPIA's annual financial reports and other pertinent data may be obtained from their website at www.acwajpia.org, their office at 2100 Professional Drive, Roseville, CA 95661 or by calling (800) 231-5742.

8. COMMITMENTS AND 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 or the partner agencies of the SGWP grant have 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.

During the year ended June 30, 2019, the Department of Water Resources' (DWR) awarded the 2017 Proposition 1 Sustainable Groundwater Planning Grant SGWP for $994,276 and is expected to take three years to complete. SGA manages the grant and coordinates the matching grant information from partner activities that fulfill the grant agreement requirements.

Independent of the GSA partners, SGA is committed to contribute a total of $262,682 in project costs over the next several years. Additionally, SGA provided staff time to manage the project for the life of the grant, this time will be used as part of the in-kind contribution portion of the grant. SGA provided $68,329 and $25,320 in staff time to manage the project for the years ended June 30, 2021 and 2020, respectively. SGA has met its obligations for project costs and staff time at June 30, 2021; however, there may be additional SGA staff time needed to fulfill the obligations of the grant. The term of the grant period is through final payment plus three years for post-monitoring and reporting unless otherwise cancelled. The last eligible date for grant reimbursements is April 30, 2022.

Contingencies due to COVID

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on member agencies, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO GROUNDWATER AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Program Revenues:			
Assessment Income	$ 742,656	$ 742,656	$ -
SGMA Grant Income	270,000	245,866	(24,134)
SGMA Partner Fees	42,000	49,719	7,719
Total Program Revenues	1,054,656	1,038,241	(16,415)
General Revenue - Interest and Other Income	15,000	5,760	(9,240)
Total Revenues	1,069,656	1,044,001	(25,655)
PROGRAM AND GRANT EXPENDITURES			
Shared and Direct Expenditures:			
Wages and Salaries	394,777	385,946	8,831
Employee Taxes and Benefits	194,682	126,491	68,191
Travel and Training	13,490	406	13,084
Administrative	602,949	512,843	90,106
Rent	17,800	17,155	645
Insurance	14,900	15,928	(1,028)
Telephone	8,000	4,836	3,164
Dues and Subscriptions	6,000	5,112	888
Printing and Supplies	11,250	3,991	7,259
Postage	1,600	117	1,483
Computer Maintenance	9,200	9,093	107
Meetings	1,300	60	1,240
Office	70,050	56,292	13,758
Audit	14,050	14,050	-
Legal Counsel Expense - General	42,000	20,677	21,323
Payroll and Banking Services	1,200	1,132	68
Consulting - General Support Services	47,100	29,941	17,159
Consulting - Program Management	60,000	-	60,000
Professional Fees	164,350	65,800	98,550
Capital Outlay and Equipment	14,300	14,758	(458)
Total Program Expenditures	851,649	649,693	201,956
SGMA Grant Expenditures	470,000	461,186	8,814
Total Expenditures	1,321,649	1,110,879	210,770
DEFICIENCY - EXCESS PROGRAM EXPENDITURES OVER REVENUES	(251,993)	(66,878)	185,115
Fund Balance, July 1, 2020	784,794	784,794	-
Fund Balance, June 30, 2021	$ 532,801	$ 717,916	$ 185,115

SACRAMENTO GROUNDWATER AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Program Revenues:			
Assessment Income	$ 710,500	$ 710,509	$ 9
SGMA Grant Income	350,000	520,699	170,699
SGMA Partner Fees	52,800	53,230	430
Total Program Revenues	1,113,300	1,284,438	171,138
General Revenue - Interest and Other Income	11,700	20,553	8,853
Total Revenues	1,125,000	1,304,991	179,991
PROGRAM AND GRANT EXPENDITURES			
Shared and Direct Expenditures:			
Wages and Salaries	373,600	341,470	32,130
Employee Taxes and Benefits	159,400	131,492	27,908
Travel and Training	10,500	8,777	1,723
Administrative	543,500	481,739	61,761
Rent	16,200	15,891	309
Insurance	14,500	15,226	(726)
Telephone	6,500	6,119	381
Dues and Subscriptions	5,800	5,763	37
Printing and Supplies	10,600	5,665	4,935
Postage	1,500	1,361	139
Computer Maintenance	8,950	6,304	2,646
Meetings	1,200	969	231
Office	65,250	57,298	7,952
Audit	13,750	26,481	(12,731)
Legal Counsel Expense - General	40,000	11,644	28,356
Payroll and Banking Services	1,100	1,965	(865)
Consulting - General Support Services	52,900	30,551	22,349
Consulting - Program Management	30,000	-	30,000
Professional Fees	137,750	70,641	67,109
Capital Outlay and Equipment	10,250	3,833	6,417
Total Program Expenditures	756,750	613,511	143,239
SGMA Grant Expenditures	450,000	630,845	(180,845)
Total Expenditures	1,206,750	1,244,356	(37,606)
DEFICIENCY - EXCESS PROGRAM EXPENDITURES OVER REVENUES	(81,750)	60,635	142,385
Fund Balance, July 1, 2019	724,159	724,159	-
Fund Balance, June 30, 2020	$ 642,409	$ 784,794	$ 142,385

SACRAMENTO GROUNDWATER AUTHORITY

REQUIRED SUPPLEMENTARY DISCLOSURES
PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS

	Measurement Date				
	2020	**2019**	**2018**	**2017**	**2016**
Proportion of the net pension liability	0.001873%	0.001578%	0.002251%	0.002957%	0.003076%
Proportionate share of the net pension liability	$ 79,009	$ 63,208	$ 84,845	$ 116,581	$ 106,839
Covered - employee payroll	$ 302,959	$ 285,636	$ 289,758	$ 263,178	$ 266,850
Proportionate share of the net pension liability as a percentage of covered payroll	26.08%	22.13%	29.28%	44.30%	40.04%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%	75.87%
SGA fiduciary net position as a percentage of the SGA pension liability	94.39%	94.82%	92.10%	90.24%	89.09%

Notes to Schedule:

For the measurement period ended June 30, 2020, there were no assumption or benefit changes.

For the measurement period ended June 30, 2019, there were no assumption or benefit changes.

For the measurement period ended June 30, 2018, the inflation rate was lowered from 2.75% to 2.50%. There were no benefit changes.

For the measurement period ended June 30, 2017, the discount rate assumption decreased from 7.65% to 7.15%. There were no benefit changes.

For the measurement period ended June 30, 2016, there were no assumption or benefit changes.

Historical information is only required for the years in which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

SACRAMENTO GROUNDWATER AUTHORITY

REQUIRED SUPPLEMENTARY DISCLOSURE
PENSION

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
LAST TEN YEARS

	Fiscal Year				
	2020-2021	**2019-2020**	**2018-2019**	**2017-2018**	**2016-2017**
Contractually required contribution (actuarially determined)	$ 36,316	$ 32,003	$ 27,571	$ 27,004	$ 23,831
Contributions in relation to the actuarially determined contributions	63,016	46,503	76,921	53,904	50,731
Contribution excess	$ (26,700)	$ (14,500)	$ (49,350)	$ (26,900)	$ (26,900)
Covered - employee payroll	$ 306,879	$ 302,959	$ 285,636	$ 289,758	$ 263,178
Contributions as a percentage of covered - employee payroll	20.53%	15.35%	26.93%	18.60%	19.28%
Contributions valuation date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contributions measurement date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age normal				
Amortization Method	Level percentage of payroll, closed				
Remaining Amortization Period	Varies, not more than 30 years				
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value
Investment Rate of Return	7.25% (1)	7.25% (1)	7.375% (1)	7.5% (1)	7.5% (1)
Inflation	2.625%	2.625%	2.75%	2.75%	2.75%
Payroll Growth	2.875%	2.875%	3.00%	3.00%	3.00%
Salary Increases	Varies by entry age and service				
Mortality	(3)	(3)	(3)	(2)	(2)

Notes to Schedule:

(1) Net of administrative expenses, includes inflation.

(2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

(3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Historical information is only required for the years in which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

OTHER REPORT

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

Independent Auditor's Report

Board of Directors
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 governmental activities and special revenue fund of the Sacramento Groundwater Authority (the Authority) as of and for the year ended June 30, 2021, 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, 2021.

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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

December 1, 2021