

SACRAMENTO GROUNDWATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, December 8, 2022; 9:00 a.m.

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 on SGA's website. 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 josette@rwah2o.org. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Notice: The Board meeting will be held in the RWA Board Room and virtually. The RWA Board Room will be open for SGA Board members and members of the public. SGA Board members are encouraged to attend in person but are not required to do so.

Meeting Information:
SGA Board Meeting
December 8, 2022 09:00 AM (PST)

Please join my meeting from your computer, tablet, or smartphone
Join Zoom Meeting

<https://us06web.zoom.us/j/87434265812?pwd=cmo1U2RSb25pSWICVEJENThkWUwvUT09>

You can also dial in using your phone
United States: +16694449171
Meeting ID: 874-3426 5812 Passcode: 229697

- 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:** All items listed under the Consent Calendar are considered and acted upon by one motion. Board members may request an item be removed for separate consideration.
 - 3a. Extend Resolution 2021-02, including requisite findings, to renew authorization to hold meetings of the Board of Directors via teleconference pursuant to Assembly Bill 361 until such time as the State of Emergency resulting from the COVID-19 pandemic no longer impacts the ability of Board members and the public to safely meet in person
 - 3b. Approve the minutes of October 13, 2022 Board meeting
 - 3c. Approve Woodard & Curran Task Order 22-02 in the amount of \$42,179

- 3d. Approve GEI Consultants Task Order 22-03 in the amount of \$75,446
- 3e. Affirm SGA Investment Policy 400.1

Action: Approve Consent Calendar Items

4. 2022 AUDIT REPORT

Presentation: Peggy Vande Vooren, Gilbert Associates, Inc.

Action: Accept 2022 SGA financial audit report

5. GROUNDWATER SUSTAINABILITY PROGRAM UPDATE

Information Update: Trevor Joseph, Manager of Technical Services

Action: Approve Resolution 2022-4 authorizing SGA to enter into a grant agreement with the Department of Water Resources for the *Advancing North American Subbasin (NASb) Sustainable Groundwater Management* project

6. ELECTION OF SGA 2023 OFFICERS

Information Update: SGA Ad Hoc Nominating Committee

Action: Elect 2023 SGA Chair and Vice Chair

7. EXECUTIVE DIRECTOR'S REPORT

8. DIRECTORS' COMMENTS

ADJOURNMENT

Next SGA Board of Director's Meetings:

February 9, 2023 9:00 a.m. at the RWA/SGA office, 5620 Birdcage Street, Ste. 110, Citrus Heights, the location is subject to change depending on the COVID-19 emergency.

Notification will be emailed when the SGA electronic packet is complete and posted on the SGA website at <https://www.sgah2o.org/meetings/board-meetings/>.

2022 SGA BOARD MEMBERS

Organization	Representative/Alternate	Appointing Authority
California American Water	S. Audie Foster Christina Baril (alternate)	Sacramento City Council
Carmichael Water District	Paul Selsky Jeff Nelson (alternate)	Sacramento County
Citrus Heights Water District	Caryl Sheehan, David Wheaton (alternate)	Citrus Heights City Council
City of Folsom	Marcus Yasutake Chair Kerri Howell (alternate)	Folsom City Council
City of Sacramento	Jeff Harris Brett Ewart (alternate) Larry Carr (alternate)	Sacramento City Council
County of Sacramento	Sue Frost Kerry Schmitz (alternate) Darrell Eck (alternate) Michael Peterson (alternate)	Sacramento County
Del Paso Manor Water District	Robert Matteoli Gwynne Pratt (alternate)	Sacramento City Council
Fair Oaks Water District	Randy Marx Vice Chair Christian Petersen (alternate)	Sacramento County
Golden State Water Company	Paul Schubert Lawrence Dees (alternate)	Sacramento City Council
Natomas Central MWC	Matt Lauppe Brett Gray (alternate)	Sacramento City Council
Orange Vale Water Company	John Wingerter Craig Davis (alternate)	Sacramento County
Rio Linda/Elverta CWD	Mary Harris Vacant (alternate)	Sacramento County
Sacramento Suburban Water District	Kevin Thomas Bob Wichert (alternate) Jay Boatwright (alternate)	Sacramento City Council
San Juan Water District	Ted Costa Dan Rich (alternate)	Sacramento County
Agriculture	Mike DeWit Nathan Doyel (alternate)	Sacramento County
Self-Supplied Industry	Larry Johnson	Sacramento City Council

AGENDA ITEM 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.

AGENDA ITEM 3: CONSENT CALENDAR

All items listed under the Consent Calendar are considered and acted upon by one motion. Anyone may request an item be removed for separate consideration.

The items to be considered and approved include:

- a. Extend Resolution 2021-02, including requisite findings, to renew authorization to hold meetings of the Board of Directors via teleconference pursuant to Assembly Bill 361 until such time as the State of Emergency resulting from the COVID-19 pandemic no longer impacts the ability of Board members and the public to safely meet in person
- b. Approve the minutes of October 13, 2022 Board meeting
- c. Approve Woodard & Curran Task Order 22-02 in the amount of \$42,179
- d. Approve GEI Consultants Task Order 22-03 in the amount of \$75,446
- e. Affirm SGA Investment Policy 400.1

Action: Approve Consent Calendar Items

AGENDA ITEM 3a: EXTEND RESOLUTION 2021-02 INCLUDING REQUISITE FINDINGS

BACKGROUND:

In order for the SGA Board to meet virtually, the SGA Board must approve the extension of Resolution 2021-02. The Board initially approved Resolution 2021-02 at the October 2021 Board meeting and has subsequently approved its extension every board meeting thereafter. If the Board approves the proposed action, the Board meeting may continue using a virtual format. Should the Board not approve the action, the Board meeting will immediately end.

Per legal counsel's recommendation, the action is to extend Resolution 2021-02, including requisite findings, to continue to hold meetings of the Board of Directors via teleconference pursuant to Assembly Bill 361 until such time as the State of Emergency resulting from the COVID-19 pandemic no longer impacts the ability of Board members and the public to safely meet in person.

Attachment:

Resolution 2021-02

RESOLUTION NO. 2021-02

AUTHORIZING CONTINUED UTILIZATION OF TELECONFERENCING FOR MEETINGS OF THE SACRAMENTO GROUNDWATER AUTHORITY BOARD OF DIRECTORS UNDER ASSEMBLY BILL 361 UNTIL SUCH TIME AS THE STATE OF EMERGENCY RESULTING FROM THE COVID-19 PANDEMIC NO LONGER IMPACTS THE ABILITY OF MEETING ATTENDEES TO MEET SAFELY IN PERSON

WHEREAS, on March 4, 2020, Governor Gavin Newsom proclaimed a State of Emergency under the California Emergency Service Act in response to the threat of the COVID-19 pandemic; and

WHEREAS, on June 11, 2021, Governor Newsom issued Executive Order N-08-21, which repealed or modified certain provisions of previously issued Executive Orders related to the pandemic and extended certain provisions so as to enable the State of California to continue to respond to the COVID-19 pandemic; and

WHEREAS, Paragraph 42 of Executive Order N-08-21 suspended provisions of the Ralph M. Brown Act at California Government Code section 54953 and provided that governing bodies of local public agencies in the State of California could utilize teleconferencing to hold public meetings in place of in-person meetings, subject to certain requirements; and

WHEREAS, Executive Order N-08-21 specified that it would remain in effect through September 30, 2021; and

WHEREAS, on September 16, 2021, Governor Newsom signed Assembly Bill 361 (AB 361) into law; and

WHEREAS, AB 361 provides that a governing body of a local public agency may conduct public meetings via teleconferencing in any of the following circumstances: (A) the governing body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing; or (B) the governing body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees; or (C) the governing body holds a meeting during a proclaimed state of emergency and has previously determined, by majority vote, that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, Governor Newsom's March 4, 2020, proclamation of a State of Emergency is still in effect; and

WHEREAS, both the California Department of Industrial Relations, Division of Occupational Safety and Health and the Sacramento County Public Health Department are currently recommending measures to promote social distancing at worksites; and

WHEREAS, Sacramento Groundwater Authority Board (Authority) meetings, closed session meetings, special meetings, and workshops are attended by Authority Board members, Authority employees and members of the public; and

WHEREAS, on September 20, 2021, Governor Newsom issued Executive Order N-15-21, which affirmed that effective October 1, 2021, governing bodies of local public agencies could utilize teleconferencing for public meetings in accordance with the provisions of AB 361; and

WHEREAS, in accordance with Executive Order N-15-21, the Sacramento Groundwater Authority Board of Directors has met under California Government Code section 54953(e)(1)(B) to determine whether, as a result of the State of Emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, conducting meetings by teleconference would directly reduce the risk of transmission among meeting attendees, including members of the public and agency staff, which has the ancillary effect of reducing risk of serious illness and death as well as reducing community spread of the virus;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Sacramento Groundwater Authority hereby finds and determines as follows:

The Board has considered the circumstances of the State of Emergency declared by Governor Newsom; and

Both State and local officials continue to recommend measures to promote social distancing.

BE IT FURTHER RESOLVED that, pursuant to AB 361 and based on the findings above, all Authority Board meetings, closed session meetings, special meetings, and workshops will be held via teleconference in accordance with the provisions of California Government Code section 54953(e).

EXTENDED this 8th day of December 2022 by the following vote:

AGENDA ITEM 3b: Minutes of October 13, 2022 meeting

Attachment:

October 13, 2022 meeting minutes



SACRAMENTO GROUNDWATER AUTHORITY
Board Meeting
Final Minutes
October 13, 2022

1. CALL TO ORDER

Chair Yasutake called the meeting of the Board of Directors to order at 9:00 a.m. as a teleconference and an in-person meeting. Individuals in attendance are listed below:

Board Members

Audie Foster, California American Water
Paul Selsky, Carmichael Water District
Caryl Sheehan, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Brett Ewart, City of Sacramento
Gwynne Pratt, Del Paso Manor Water District
Paul Schubert, Golden State Water Company
Brett Gray, Natomas Central Mutual Water Company
John Wingerter, Orange Vale Water Company
Mary Harris, Rio Linda/Elverta Community Water District
Robert Wichert, Sacramento Suburban Water District
Ted Costa, San Juan Water District
Mike DeWit, Agriculture

Staff Members

Jim Peifer, Rob Swartz, Trevor Joseph, Ryan Ojakian, Michelle Banonis, Raiyna Villaseñor, Josette Reina-Luken, Cecilia Partridge, Monica Garcia and Chris Sanders, legal counsel

Others in Attendance

Nathan Doyel, John Woodling, Kelye McKinney, Rebecca Scott, Hilary Straus, Tim Shaw, Cathy Lee, Paul Helliker, Joe Duran, Brian Hensley, Tom Gray, Melanie Holton, Audrey Tate and Vanessa Nishikawa

2. PUBLIC COMMENT

None

Chair Yasutake announced that agenda item #4 would be moved after the Executive Director's Report. The items will be reported in the minutes as they appear on the agenda.

3. CONSENT CALENDAR

Motion/Second Carried (M/S/C) Ms. Harris moved, with a second by Mr. Schubert to approve the minutes of the August 11, 2022 Board meeting and extend Resolution 2021-02, to renew authorization to hold meetings of the Board of Directors via teleconference pursuant to Assembly Bill 361 until such time as the State of Emergency resulting from the COVID -19 pandemic no longer impacts the ability of Board members and the public to safely meet in person. Audie Foster, California American Water, Paul Selsky, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Brett Ewart, City of Sacramento, Gwynne Pratt, Del Paso Manor Water District, Paul Schubert, Golden State Water Company, Brett Gray, Natomas Central Mutual Water Company, John Wingerter, Orange Vale Water Company, Mary Harris, Rio Linda/Elverta Community Water District, Robert Wichert, Sacramento Suburban Water District, Ted Costa, San Juan Water District and Mike DeWit, Agriculture voted yes. The motion passed.

4. PRESENTATION OF RESOLUTION 2022-03 HONORING ROB SWARTZ FOR HIS YEARS OF SERVICE

Chair Yasutake presented a resolution to Rob Swartz for his significant contributions to water management in the Sacramento Region. There were many comments from members on the outstanding work that Mr. Swartz has done.

M/S/C Ms. Sheehan moved, with a second by Ms. Pratt to adopt Resolution 2022-03. Audie Foster, California American Water, Paul Selsky, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Brett Ewart, City of Sacramento, Gwynne Pratt, Del Paso Manor Water District, Paul Schubert, Golden State Water Company, Brett Gray, Natomas Central Mutual Water Company, John Wingerter, Orange Vale Water Company, Mary Harris, Rio Linda/Elverta Community Water District, Robert Wichert, Sacramento Suburban Water District, Ted Costa, San Juan Water District and Mike DeWit, Agriculture voted yes. The motion passed.

5. GROUNDWATER SUSTAINABILITY PROGRAM UPDATE

Mr. Swartz gave an update on the status of the Groundwater Sustainability Program (GSP). Staff is preparing the annual report required by the State in April every year. Data will be requested from purveyors for preparation of the report. Data on well status and water quality issues will be requested and will be maintained as a tool to assist in managing outreach. He presented hydrographs from different locations indicating various water levels. Conjunctive use is a success story.

6. APPOINTMENT OF NOMINATIONS COMMITTEE FOR 2023 SGA OFFICERS

Chair Yasutake appointed Mary Harris, Caryl Sheehan and Brett Ewart to work with him on the nominations committee for 2023 SGA officers.

7. EXECUTIVE DIRECTOR'S REPORT

Mr. Peifer announced the retirement of Rob Swartz and Cecilia Partridge. He welcomed Trevor Joseph as Manager of Technical Services. He reminded everyone of the retirement event for Rob Swartz tonight.

8. DIRECTORS' COMMENTS

Mr. Selsky announced that Carmichael Water District will be releasing bid documents for the construction of a new groundwater well. They are negotiating sites for two additional wells.

Mr. Ewart reported that SCGA announced a workshop on the Water Bank.

ADJOURNMENT

With no further business to come before the Board, Chair Yasutake adjourned the meeting at 9:52 a.m.

By:

Chairperson

Attest:

Josette Reina-Luken, Board Secretary/Treasurer

**AGENDA ITEM 3c: APPROVE WOODARD & CURRAN TASK ORDER 22-02
IN THE AMOUNT OF \$42,179**

BACKGROUND:

This task order provides professional consulting services for CoSANA model updates to support preparation of the Sustainable Groundwater Management Act (SGMA) – Groundwater Sustainability Plan (GSP) 2022 Annual Report.

Attachment:

Task Order 22-02

North American Subbasin Groundwater Sustainability Plan

Annual Report Support (WY 2022) & Support on SGM Round 2 Grant Funding Application

Task Order 22-02

November 29, 2022

The goal of this Scope of Work is to update the existing Cosumnes-South American-North American (CoSANA) model for the area covering the North American Subbasin (NASb) to support preparation of the Annual Report (AR) for the North American Subbasin Groundwater Sustainability Plan (GSP) for the year 2023. The scope also includes support during the preparation of the Sustainable Groundwater Management (SGM) Round 2 Grant application. The Scope of Work includes the following three tasks:

- **Task 1: CoSANA Model Update and Application** – The GSP and the AR technical and analytical analysis are based on the CoSANA model. As such, Task 1 is intended to update the CoSANA model through water year (WY) 2022.
- **Task 2: Support Preparation of SGM Round 2 Grant Funding Application** – This task will include limited support during the preparation of the SGM grant application.
- **Task 3: Project Management and Coordination** – This task is intended to support managing the project and coordinate work with the entities and the GSP Working Group.

Scope of Work

Task 1: CoSANA Model Update and Application

The existing CoSANA model will be updated to extend the historical model developed for the GSP to include the WY 2022 to allow for reporting of water budget results for the year. The following activities will be performed. Note that the budget and scope of work described are for the NASb portion of the CoSANA model only.

Task 1.1 Coordinate in Compilation of Model Data

All water supply, use and demand data will be compiled by SGA. Woodard & Curran will coordinate with SGA to ensure appropriate data is compiled in the correct format for use in the model. Templates will be provided for each water district to be populated by SGA.

Task 1.2 Update Water Supply and Use data

Woodard & Curran will receive the updated water supply and use data from SGA for analysis and preparation of the model input data through September 2022. This data will include surface water delivery, municipal groundwater pumping, water transfer, and water demand data by each of the urban purveyors the NASb. The data will also include surface water delivery and groundwater substitution transfer pumping data (if available) by the related agricultural entities.

Additionally, Woodard & Curran will update other appropriate data sets, such as hydrology, including precipitation, evapotranspiration, and streamflow for model input. Relevant data sets will be assessed and evaluated for consistency with past data in the model and discrepancies and issues will be discussed with SGA to gain concurrence on the data sets that are most appropriate to be updated in the model update process.

Task 1.3 Perform Updated Historical CoSANA Model Simulation

The historical model simulation developed for the GSP analysis will be re-simulated for the extended simulation period that includes the WY 2022. No model re-calibration will be performed. It is assumed that all model parameters other than the model input data developed in Tasks 1.1 – 1.3 will remain unchanged from the GSP historical model. A single simulation of the historical model will be performed. The historical model will be unchanged for the time period previously simulated for the GSP, with the simulation extended to include the WY 2022. No other model simulations will be performed.

Task 1.4 Develop Water Budget Estimates for WY 2022

Water budget results will be prepared for the WY 2022. Summary tables and figures will be prepared in standard CoSANA post-processed format, and not the GSP detail format. The standard budget format will present the details as output from the model Z-budget processor at subregion, GSA, and Subbasin scales. The standard budget will be in Excel format and useable for the SGA to assess the model output. The standard budget will be summarized consistent with the format to be used in the Annual Report.

Task 1.5 Prepare GW Conditions Updates

Groundwater level contours and groundwater level hydrographs at the GSP representative monitoring sites (RMS), based on the CoSANA model results, will be prepared for quality control purposes.

Task 1.6 Prepare Water Use Output for Submittal as Part of the Annual Report

Tables and charts reflecting updated water use conditions based on the CoSANA model results will be prepared, as needed for the Annual Report.

Task 1 Deliverables

- Tables and figures from the updated CoSANA model as stated by each subtask for the WY 2022.

Task 2: Support Preparation of SGM Round 2 Grant Funding Application

Woodard & Curran will provide support during the preparation of the SGM Round 2 grant funding application that will be led by SGA. Woodard & Curran's efforts will include the following activities:

- Completion of the checklist and eligibility requirements
- Inputs for the CoSANA modeling updates component
- Review of the draft grant application package

Task 3: Project Management and Coordination

This task includes the following activities:

- Project management, including invoicing and coordination.
- Participation and coordination in up to two (2) meetings.

Task 3 Deliverables

- Monthly invoices and progress reports

Budget

Total fee for completion of the scope of services outlined in this Scope of Work is not to exceed \$42,179.

Schedule

Work outlined in this Scope of Work is to be completed in collaboration with SGA and the NASb GSAs, as well as in coordination with the SASb GSAs and SCGA. Work is to be completed in time to meet the timeline of the NASb Annual Report submission of April 1, 2023. Specific dates to adhere to are:

SGA to compile and submit all data to W&C:	January 13, 2023
W&C to submit draft final model update work:	February 27, 2023
W&C to complete model update work:	March 10, 2023



Fee Estimate

11/29/2022

North American Subbasin (NASb) GSP CoSANA Model Update for Annual Report (WY 2022)

Tasks	Labor							Total Hours	Total Fee
	Ali Taghavi	Sevim Onsoy	Leslie Dumas	Liz DaBramo	Sebastien Poore	Jack Baer	Admin.		
	PIC	PM	Grant Support	Project Engineer	Engineer 3	Engineer 2	Project Coordinator		
	\$330	\$295	\$315	\$245	\$235	\$205	\$116		
Task 1: CoSANA Model Update and Application									
1.1 Coordinate in Compilation of Model Data		2			8			10	\$2,470
1.2 Update Water Supply and Use Data		2			8	16		26	\$5,750
1.3 Perform Updated Historical CoSANA Model Simulation		1			8	24		33	\$7,095
1.4 Develop Water Budgets for WY 2022		2			8	10		20	\$4,520
1.5 Prepare GW Conditions Updates (including GW contours and hydrographs)	1	1			8	12		22	\$4,965
1.6 Prepare Water Use Output for Submittal as part of the Annual Report	1	1			8	4		14	\$3,325
Subtotal Task 1:	2	9			48	66	0	125	\$28,125
Task 2: Support Preparation of SGM Round 2 Grant Funding Application									
2.1 Support Preparation of SGM Round 2 Grant Funding Application	1	4	10	20	2			37	\$10,030
Subtotal Task 2:	1	4	10	20	2	0	0	37	\$10,030
Task 3: Project Management and Coordination									
3.1 Project Management and Coordination	2	2					4	8	\$1,714
3.2 Project Coordination Meetings (up to 2)	2	4			2			8	\$2,310
Subtotal Task 3:	4	6			2	0	4	16	\$4,024
TOTAL	7	19	10	20	52	66	4	178	\$42,179

1. The individual hourly rates include salary, overhead and profit.
2. Subconsultants will be billed at actual cost plus 10%.
3. Other direct costs (ODCs) such as reproduction, delivery, mileage (rates will be those allowed by current IRS guidelines), and travel expenses, will be billed at actual cost plus 10%.
4. W&C reserves the right to adjust its hourly rate structure and ODC markup at the beginning of the calendar year for all ongoing contracts.
5. Additional Woodard & Curran staff may perform work on the project, based on our standard billing rate schedule currently in effect.

Sacramento Groundwater Authority

Woodard & Curran, Inc.

By

James Peifer

By 

Ali Taghavi

Date

11/29/2022

Date

**AGENDA ITEM 3d: APPROVE GEI CONSULTANTS TASK ORDER 22-03
IN THE AMOUNT OF \$75,446**

BACKGROUND:

This task order provides professional consulting services for preparation of the Sustainable Groundwater Management Act (SGMA) – Groundwater Sustainability Plan (GSP) 2022 Annual Report and grant writing support.

Attachment:

Task Order 22-03

TASK ORDER SGA GEI 22-03

Task Order SGA GEI 22-03 will be completed according to the Consulting Agreement ("Agreement") made between the **SACRAMENTO GROUNDWATER AUTHORITY** (hereinafter called "**SGA**") and **GEI Consultants, Inc.**, (hereinafter called "**GEI**" or "**CONSULTANT**"), dated August 28, 2012. All terms and conditions of the Agreement will apply to the completion of this Task Order SGA GEI 22-03.

A. SCOPE OF WORK

SGA requires technical services from CONSULTANT for the first portion of Water Year 2023 to:

- 1) prepare WY2022 Annual Report and uploads to DWR website
- 2) download surface interaction monitoring well transducers in Spring 2023
- 3) produce spring 2023 groundwater contours and change in storage develop hydrographs for these wells and update the NASb Data Management System (DMS) and the state's Monitoring Network Module with daily measurements from the transducer data
- 4) maintain and upgrade DMS (at the direction of SGA and within the proposed budget)
- 5) assist SGA with website maintenance and cost for hosting website (at the direction of SGA and within the allocated budget)
- 6) prepare, present and attend NASb coordination meetings
- 7) prepare SGMA, Round 2, grant components and graphics.

Assumptions: By January 31, 2023, Woodard and Curran (WC) under a separate contract will provide for the WY 2022 Annual Report:

- groundwater pumping by beneficial user and water supply by source tables and completed Part A through D Tables in Excel format,
- a map showing the groundwater pumping distribution throughout the NASb as a jpeg,
- an updated change in storage graph map (jpeg) a table with comparison of surface water depletion from historic through WY2022 by river.

WC will also edit, compile and submit the SGMA grant application.

Deliverables: Draft and Final: 1) WY2022 Annual Report 2) Hydrographs of surface water depletion monitoring wells. 3) Groundwater contours Spring 2023 and change in storage contours Spring 2022 to Spring 2023. 4) Add daily surface interaction monitoring well measurements to the Data Management System database 5) supportive information or graphics for NASb meeting presentations 6) grant application project descriptions, work plan, budgets, schedules and figures for six components.

B. FEES AND PROGRESS PAYMENTS

CONSULTANT will perform this work for a not-to-exceed amount of \$75,446 dollars (\$75,446). Progress payments shall be made monthly in response to invoices received by SGA from

CONSULTANT. In no event shall payment exceed \$75,500.00 without the written prior approval of the SGA.

Description	Direct Labor Cost	Expenses	Subcontractors	SUBTOTAL
Task 1. Annual Report WY2022	\$26,400	\$0	\$0	\$26,400
Task 2. Semi-Annual Transducer Download (Spring 2023)	\$4,300	\$100	\$0	\$4,400
Task 3. Spring 2023 Groundwater Contours (NASb)	\$3,500	\$0	\$0	\$3,500
Task 4. DMS Maintenance and Upgrades	\$10,200	\$0	\$0	\$10,200
Task 5. Website Maintenance (NASb)	\$2,100	\$2,000	\$0	\$4,100
Task 6. NASb GSA Coordination Meetings	\$4,700	\$0	\$0	\$4,700
Task 7. Grant Application	\$22,146	\$0	\$0	\$22,146

TOTAL COST: \$75,446

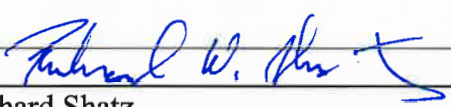
Notes: Semi-annual download of transducers in WPGSA area included in separate proposal to Placer County

FY is from July 1 2022 through June 30, 2023

C. SCHEDULE

This Task Order SGA GEI 22-03 is for services performed between October 1, 2022 and June 30, 2023. This Task Order SGA GEI 22-03 expires on August 31, 2023. The schedule may be modified as mutually agreed upon by the SGA and CONSULTANT as required to facilitate efficient completion of the work.

Executed this 1st day of December 2022 at Citrus Heights, CA.

Sacramento Groundwater Authority	GEI Consultants, Inc.
By	By 
Jim Peifer	Richard Shatz
Date	Date 12-1-22

AGENDA ITEM 3e: AFFIRM SGA INVESTMENT POLICY (POLICY 400.1)

BACKGROUND:

In accordance with Government Accounting Standards Board Statement 31, SGA's governing board is required annually to review its investment policy and associated investment selections. This review is typically completed as part of the overall annual audit process. SGA Policy 400.1 outlines the various types of suitable and acceptable investments that SGA can invest its surplus cash (see attachment). Since its policy inception, SGA has selected to invest its surplus cash in the Local Agency Investment Fund (LAIF) under the expertise of the State Treasurer's Office Investment staff. LAIF is considered one of the soundest investment options available to government agencies and special districts. LAIF has performed well over the years for SGA and the 2022 interest earnings were approximately \$3910 as reported in the 2022 annual audit. With interest rates being adjusted, the outlook for improved interest earnings is likely to occur in fiscal year 2022-2023.

Staff does not recommend any changes in SGA policy or current investment strategy. If the Board concurs, then this item can be approved under the consent calendar. If the Board wishes to consider making changes, then this item will be continued to the next regular SGA Board meeting.

Attachment:

SGA Investment Policy 400.1

SACRAMENTO GROUNDWATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Investment Policy
Policy Number : 400.1
Date Adopted : February 13, 2003
Date Amended : October 11, 2012

SACRAMENTO GROUNDWATER AUTHORITY INVESTMENT POLICY

1.0 Purpose

The purpose of this Investment Policy ("Policy") is to establish cash management and investment guidelines for the Treasurer, who is responsible for investing and safeguarding the Sacramento Groundwater Authority's ("SGA") surplus funds. Each transaction and the entire portfolio must comply with California Government Code (the "Code") Sections 53600 through 53610 (Investment of Surplus), Sections 53630 through 53686 (Deposit of Funds), and this Policy.

2.0 Scope

This Policy applies to all surplus financial funds of SGA that may be invested because they are not needed for immediate payment of expenses. These funds are accounted for in SGA's audited annual financial report and include:

1. Special Revenue Funds
2. Trust and Agency Funds
3. Any new fund created by the legislative body, unless specifically exempted.

Except for cash in certain restricted and special funds, SGA will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. In addition, the costs of managing the investment portfolio, including but not limited to the costs of investment management, custody of assets, managing and accounting for banking, and oversight controls, will be charged to investment earnings based upon actual hours of labor devoted to managing each of the funds.

3.0 General Objectives

In accordance with the Code, the primary objectives, in priority order, of investment activities will be safety, liquidity, and yield:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. Each investment transaction will be entered into with consideration for the quality of the issuer and of the underlying security and collateral.

2. Liquidity. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Liquidity will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands whenever feasible. A portion or the entire portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

4.0 Standards of Care

1. Prudent Investor Standard. In accordance with Section 53600.3, the SGA Board and Treasurer are trustees and fiduciaries subject to the "Prudent Investor Standard." The Prudent Investor Standard requires the Board and Treasurer, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing the SGA's funds, to act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the SGA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the SGA. This standard will be applied in all investment decisions, including those related to hedging interest rate risks associated with debt financing. This standard will be applied in all investment decisions.

2. Ethics and Conflicts of Interest. The Treasurer and any other officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Such officers and employees will disclose to the Board of Directors any material interests in financial institutions with which they conduct business. They will further disclose any

personal financial/investment positions that could be related to the performance of the investment portfolio. Affected officers and employees will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of SGA. All such officers and employees are prohibited from accepting honoraria, gifts from financial dealers and financial institutions.

3. Delegation of Authority. Under Section 53607 of the Code, authority to manage SGA's investment portfolio is expressly delegated to the Board of Directors, which may delegate its authority to the Treasurer. In accordance with Section 53607, the Board hereby delegates its responsibility for the operation of the investment program to the Treasurer, who will act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy.

5.0 Safekeeping and Custody

1. Authorized Financial Dealers and Institutions. The Treasurer will maintain a list of financial institutions authorized to provide investment services and a list of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

SGA will only deposit funds in a depository that is established and operated in accordance with applicable federal and state laws and regulations.

All financial institutions and broker/dealers who desire to become qualified to conduct investment transactions for SGA must supply the following to the Treasurer as requested:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Trading resolution
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification signed by an authorized officer that he or she has read and understood and that the institution agrees to comply with this Policy.

The Treasurer will conduct an annual review of the financial condition and registration of qualified financial institutions and broker/dealers. A current audited financial statement is required to be on file for each financial institution and broker/dealer in or through which SGA invests. No broker, dealer, or securities firm will be eligible to provide services to SGA within 24

months of making a campaign contribution to any SGA Board member, if the contribution exceeds the limits contained in Rule G-37 of the Municipal Securities Rulemaking Board.

2. Delivery vs. Payment. Where applicable, all trades will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

6.0 Suitable and Authorized Investments

The Treasurer is authorized to make investments in accordance with the general categories and limitations established by Sections 53601, 53601.6, 53601.8, 53635, 53635.2, 53638 and 53684 of the Code. Authorized investments also will include investment into the Local Agency Fund ("LAIF") in accordance with Section 16429.1 of the Code. See Appendix A, which summarizes the categories of permitted investments.

1. U.S. Government, Agencies, State and Local Government Sponsored Enterprises

- a. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- b. Registered state warrants or treasury notes or bonds of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- c. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- d. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency or authority of the local agency; provided, however, that any bond or certificate of participation investments in member agencies require prior Board approval.
- e. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- f. These investments have a maximum maturity of five years.

2. Bankers Acceptance Notes

- a. Investments in prime bankers' acceptances may not exceed 40 percent of the portfolio in effect on the date of purchase of any such investment.
- b. No more than 30 percent of this category of investments may be invested in any one commercial bank's acceptances.
- c. The maximum maturity shall be limited to 180 days.

3. Commercial Paper

- a. Only commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating, at the time of purchase, as provided by Moody's Investors Services or Standard & Poor's Corporation may be purchased.
- b. Investments in commercial paper shall not exceed 25 percent of the portfolio in effect on the date of purchase of any such investment.
- c. Each investment shall not exceed 270 days maturity.
- d. No more than 10 percent of the outstanding commercial paper of an issuing corporation may be purchased.
- e. The issuer is either: (1) organized and operating in the United States as a general corporation and has total assets in excess of \$500 million. If the entity has debt other than commercial paper, it is rated "A", "A-2" or higher by a nationally recognized rating agency; or (2) is organized within the United States as a special purpose corporation, trust or limited liability company. Has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit or surety bond. Has commercial paper that is rated "A-1", "A+" or higher by a nationally recognized rating agency.

4. Negotiable Certificates of Deposit

- a. A negotiable certificate of deposit must be issued by a nationally or state-chartered bank, a state or federal savings and loan association or savings bank, a state or federal credit union, or by a federally-licensed or state-licensed branch of a foreign bank and be rated "A" or better by at least one nationally recognized rating agency.
- b. Investments in negotiable certificates of deposit may not exceed 30 percent of the total portfolio in effect on the date of purchase of any such investment.
- c. The investment will not exceed the total of the net worth of any depository savings and loan association, except that investments up to a total of \$500,000 may be made to a savings and loan

association without regard to the net worth of that depository, if such investments are insured or secured as required by law.

- d. The investment shall not exceed the shareholders' equity of any depository bank. For the purpose of this constraint, shareholders' equity shall be deemed to include capital notes and debentures.
- e. The SGA Board and the Treasurer or other official of the SGA having legal custody of the moneys are prohibited from investing SGA funds, or funds in the custody of the SGA, in negotiable certificates of deposit issued by a state or federal credit union if a member of the SGA's Board, or a person with investment decision making authority at the SGA also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- f. The maximum maturity is limited to five years.

5. Medium-term notes

- a. Investment in medium-term notes are limited to corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- b. Purchases of medium-term notes will be limited to a maximum maturity of five years.
- c. Purchases of medium-term notes may not exceed 30 percent of the portfolio.
- d. Notes eligible for investment shall be rated in a rating category of at least "A" or its equivalent or better by a nationally recognized rating service.

6. Shares of Beneficial Interest (Money Market Funds)

- a. Investment in shares of beneficial interest issued by eligible diversified management companies that invest in securities that comply with Section 53601 and 53635 of the Code or are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940.
- b. These eligible companies must meet the following criteria:
 - i. Attain the highest ranking of the highest letter and numerical rating provided by not less than two nationally recognized rating agencies
 - ii. Retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of \$500 million.

- c. The purchase price of the shares will not include any commission that the companies may charge and will not exceed 20 percent of the portfolio.
- d. No more than 10 percent of portfolio may be invested in one mutual fund.

7. Collateralized Bank Deposits

- a. Maximum maturity is limited to five years.
- b. Collateralization must be consistent with the requirements of Sections 53651 through 53652 of the Code.

8. Time Deposits

- a. For purposes of this Policy, collateralized time deposits will be considered investments.
- b. The financial institution used must have been in existence for at least five years.
- c. The financial institution must have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities.
- d. Eligibility for deposits will be limited to those financial institutions that have a branch in the State of California and maintain a rating equivalent to Thompson BankWatch Service of “B” or better.
- e. Credit requirements may be waived for a \$100,000 time deposit that is federally insured.
- f. The deposit will not exceed the shareholders’ equity of any depository bank. For the purpose of this constraint, shareholders’ equity will be deemed to include capital notes and debentures.
- g. The deposit will not exceed the total of the net worth of any depository savings and loan association, except that deposits not exceeding a total of \$500,000 may be made to a savings and loan association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.
- h. Deposits must be insured up to the FDIC’s current limit. For uninsured deposits, the financial institution will maintain in the collateral pool securities having a market value of at least 10 percent in excess of the total amount deposited. SGA, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. SGA shall have a signed agreement with any depository accepting SGA funds. Promissory notes secured by real estate mortgages or deeds of trust are not acceptable as collateral.
- i. When other factors are equal, appropriate consideration will be given to a financial institution that either individually or as a member

of a syndicate bids on or makes a substantial investment in the SGA's securities, contributes service to the SGA, and offers significant assistance to the SGA, so as to provide for distribution of total deposits among eligible financial institutions.

- j. Purchased time deposits will be limited to a maximum maturity of five years.

9. Local Agency Investment Fund

- a. Deposits for the purpose of investment in the Local Agency Investment Fund of the State of California may be made up to the maximum amount permitted by State Treasury policy.

7.0 Reporting

1. Required Periodic Reports. The Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the members of the SGA Board of Directors and Executive Director to ascertain whether investment activities during the reporting period have conformed to this Policy. The report shall be provided to the Board of Directors and the Executive Director. If applicable, the investment report will include the following:

- Listing of individual securities held at the end of the reporting period by investment category.
- Average life and final maturity of all investments listed
- Coupon, discount, or earnings rate
- Par value, amortized book value and market value
- Percentage of portfolio represented by the investment category

2. LAIF Reporting. If the surplus funds are solely invested in the Local Agency Investment Fund (LAIF), the monthly LAIF statement shall be sufficient for reporting purposes.

8.0 Policy Considerations

1. Amendments. This Policy will be reviewed by the Treasurer on an annual basis. Any changes to this Policy recommended by the Treasurer must be approved by the Board of Directors, after review and comment by the individual(s) charged with maintaining internal controls.

2. Administration. The Treasurer may at any time further restrict the securities approved for investment as deemed prudent. From time to time, the established portfolio limitations may be exceeded due to irregular cash

flows or in certain economic conditions. In such cases, the Treasurer will inform the Board of Directors and Executive Director and take action consistent with the prudent investor standard to ensure that no category of investments exceeds the statutory limitations provided in the Code.

3. Performance Review. The Treasurer will conduct an annual appraisal of SGA's investment portfolio to evaluate its effectiveness and conformance with this Policy. To the extent necessary or appropriate, the Treasurer will make recommendations to the Board of Directors concerning the improvement and/or restructuring of the portfolio.

4. Existing Investments. Any investment held by SGA at the time this Policy is first adopted or revised to conform to changes in law or this Policy will not be sold because of a failure to conform to this Policy, unless the Treasurer deems sale of the investment to be prudent or required by law.

5. Conflict With Statute. In the event that any provision of this Policy conflicts with the Code or any other applicable state or federal statute, the provisions of any such statute will govern.

APPENDIX A

PERMITTED INVESTMENT INSTRUMENTS PER GOVERNMENT CODE (AS OF JANUARY 1, 2012) ¹

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirement
Local Agency Bonds	5 years	100	None
U.S. Treasury Obligations	5 years	100	None
State Obligations—CA And Others	5 years	100	None
CA Local Agency Obligations	5 years	100	None
U.S Agency Obligations	5 years	100	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper—Select Agencies	270 days	25% of the agency's money	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers
Commercial Paper—Other Agencies	270 days	40% of the agency's money	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers
Negotiable Certificates of Deposit and CD Placement Service	5 years	30%	None
Medium-Term Notes	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	100	None
Bank/Time Deposits	5 years	100	None
County Pooled Investment Funds	N/A	100	None
Joint Powers Authority Pool	N/A	100	Multiple
Local Agency Investment Fund (LAIF)	N/A	100	None

¹ See Article 6 of the Policy for a more complete description of each permitted investment and related limitations.

AGENDA ITEM 4: 2022 AUDIT REPORT

BACKGROUND:

Presentation by Peggy Vande Vooren, Gilbert Associates, Inc.

Action: Accept 2022 SGA financial audit report



Sacramento Groundwater Authority

Board Meeting

December 8, 2022



The Audit

I. OVERVIEW OF THE AUDIT

- Fieldwork performed remotely in October and wrapped up audit procedures in November.
- Management and staff were well-prepared and cooperative.

II. REQUIRED COMMUNICATIONS TO THE BOARD

- ***Responsibilities and Opinion*** - Our responsibilities as auditors and scope, unmodified opinion.
- ***Qualitative Aspects of Accounting Practices*** – No new accounting policies, estimates/judgments deemed reasonable.
- ***Interactions with Management*** – no disagreements, full representations from mgmt. was obtained, no consultations with other auditors or accountants, no difficulties encountered.
- ***Other Matters and Supplementary Information*** – No Audit Adjustments. No Significant Deficiencies or Material Weaknesses reported. Risks incorporated into audit plan. Supplementary info required by GASB.

III. THE AUDIT REPORT

Pages 1-3 **The Independent Auditor's Report on Financial Statements**

- Issued an unmodified (clean) opinion – (Opinion first paragraph) the best opinion that we can give as auditors

Pages 4-13 **Management's Discussion and Analysis**

- Introduction & overview of SGA's financial statements
- Condensed comparative financial statement data
- Analysis of financial position and results of operations
- Budgetary Analysis
- Future economic factors and assumptions

The Financial Statements

Page 14

Statement of Net Position

- Financial Position at June 30,

	<u>2022</u>	<u>2021</u>
Total Assets	\$ 1,237,311	\$ 943,581
Deferred Outflows of Resources	228,796	83,084
Total Liabilities	(98,053)	(240,947)
Deferred Inflows of Resources	<u>(34,705)</u>	<u>(32,359)</u>
Net Position	<u>\$ 1,333,349</u>	<u>\$ 753,359</u>

- Total assets increased by ~ \$294 thousand. This increase is primarily due to an increase in cash and investments of ~ \$101 thousand and the net pension assets of ~ \$150 thousand.
- Total liabilities decrease by ~ \$143 thousand. This decrease is primarily related to decreases in accounts payable of ~ \$78 thousand for payables to vendors working on the SGWP grant and the decrease in net pension liability of \$79 thousand.
- The increases in Deferred Outflows and Deferred Inflows are a result of changes in estimates from CalPERS pension plan actuarial valuations.

Page 15

Statement of Activities

- Results of Operations for the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Total Revenues	\$ 1,070,124	\$ 1,061,361
Total Expenses	<u>(490,134)</u>	<u>(1,091,393)</u>
Decrease in Net Position	<u>\$ 579,990</u>	<u>\$ (30,032)</u>

- Overall revenues increased by ~ \$9 thousand. The largest increase was the planned increase in Assessment Income of ~ \$112 thousand and an increase in GSP Implementation partner Fees of ~ \$52 thousand. These increases in revenue are offset by a decrease in SGMA Grant Income and Partner Fees revenue of ~ \$153 thousand. Expenses decreased by ~ \$601 thousand primarily as a result of reductions in the Pension liability and decreases in grant activity.

Pages 16-30 **Notes to the Financial Statements**

- The notes to the financial statements explain the assumptions underlying the financial statements and provide additional information that is not available in the financial statements
 - Significant Accounting Policies – No new accounting standards –Note 1, page 16
 - Board Designations – Operating fund and GSP –Note 4, page 21
 - Employee Pension Plan (CalPERS) – Pension Liability decreased to Pension Asset of \$150,928 – Note 5, page 22

IV. REQUIRED SUPPLEMENTARY INFORMATION

Page 31 **Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual**

Page 33 **Schedule of the Proportionate Share of Net Pension Liability**

- **Decrease in pension liability (net pension asset) and proportionate share**
- **Increased fiduciary net position**

Page 34 **Schedule of Contributions to the Pension Plan**

- **Excess contributions**

V. OTHER INDEPENDENT AUDITOR’S REPORT

Pages 35-36 **“GAGAS” Audit Report**

SACRAMENTO GROUNDWATER AUTHORITY

Communications With Those Charged With Governance

Submitted by
Gilbert CPAs

We have audited the financial statements of Sacramento Groundwater Authority (the Authority) for the year ended June 30, 2022. Professional standards require that we provide you with information related to our audit. We are providing the Authority's Board of Directors (Board) with information regarding the scope and results of the audit to assist the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

November 23, 2022

MANAGEMENT AND AUDITOR RESPONSIBILITIES

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States .

The financial statements are the responsibility of management. As stated in our engagement contract, our responsibility 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 considered the internal control of the Authority's. Such considerations were 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

We issued unmodified opinions on the financial statements of the Authority for the year ended June 30, 2022.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we advised management about the appropriateness of accounting policies and their application.

The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2022.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management Judgments and Accounting Estimates

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The most sensitive estimates and disclosures affecting the Authority's financial statements were:

- The estimate of the net pension liability and related deferred inflows and outflows of resources is based upon the Authority's proportionate allocation of the CalPERS plan pension amounts as of the June 30, 2021 measurement date. CalPERS calculates the net pension liability for all participating agencies actuarially by rolling-forward obligations from the June 30, 2020 actuarial valuation. These amounts are allocated to the Authority and other participating agencies based on their proportionate share of contributions to the CalPERS plans during the measurement period.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statement disclosures are neutral, consistent, and clear.

INTERACTIONS WITH MANAGEMENT

Planned Scope and Timing of the Audit	We performed the audit according to the planned scope and timing previously communicated in our engagement contract.
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.
Disagreements with Management For purposes of this letter, professional standards define a disagreement with management as 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 requested certain representations from management in a letter to us.
Difficulties Encountered in Performing the Audit	We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and very cooperative.

OTHER MATTERS

Other Audit Findings or Issues	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.
Significant Risks Identified by the Auditor In order to design appropriate audit procedures in accordance with GAAS, the engagement team is required to perform a risk assessment during its audit planning process.	The following significant risks of material misstatement presumed by the auditing standards were incorporated into our audit plan: <ul style="list-style-type: none">• Improper revenue recognition due to fraud.• Management override of controls.
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.	No significant adjustments were identified during our audit.

SUPPLEMENTARY INFORMATION

Required Supplementary Information

Government Accounting Standards Board (GASB) requires certain supplementary information to accompany the Authority's basic financial statements to be in conformity with generally accepted accounting principles. Such information has been subjected to limited procedures such as inquiries of management about the methods of preparing the information and comparing the information for consistency with the basic financial statements, however, we do not express an opinion because of the limited nature of our procedures.

The following required supplementary information is required to accompany the Authority's basic financial statements and subjected to limited procedures, but no opinion has been expressed:

- Management's Discussion and Analysis
- Statements of Revenues, Expenditures and changes in Fund Balance – Budget to Actual
- Schedule of the Authority's Proportionate Share of the Net Pension Liability
- Schedule of the Authority's Contributions to the Pension Plan

**SACRAMENTO GROUNDWATER
AUTHORITY**

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

JUNE 30, 2022 AND 2021

SACRAMENTO GROUNDWATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Sacramento Groundwater Authority
Sacramento, California**

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

November 23, 2022

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 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, 2022, and 2021. This discussion analysis should be read in conjunction with the financial statements and can be found on pages 14 to 34 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 31 and 32 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, 2022 and 2021. 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.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

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 31 to 32.

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 16 to 30 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:

	2022	2021	Change	2020	Change
Current Assets	\$ 1,079,744	\$ 934,899	\$ 144,845	\$ 903,602	\$ 31,297
Net Pension Asset	150,928	-	150,928	-	-
Capital Assets, net	6,639	8,682	(2,043)	-	8,682
Deferred Outflows - Pension	228,796	83,084	145,712	67,144	15,940
Total Assets and Deferred Outflows	1,466,107	1,026,665	439,442	970,746	55,919
Current Liabilities	98,053	161,938	(63,885)	81,123	80,815
Non-Current Liabilities	-	79,009	(79,009)	63,208	15,801
Total Liabilities	98,053	240,947	(142,894)	144,331	96,616
Deferred Inflows - Pension	34,705	32,359	2,346	43,024	(10,665)
Net Position:					
Invested in capital assets	6,639	8,682	(2,043)	-	8,682
Restricted	1,326,710	744,677	582,033	783,391	(38,714)
Total Net Position	\$ 1,333,349	\$ 753,359	\$ 579,990	\$ 783,391	\$ (30,032)

Fiscal year 2022 compared to Fiscal year 2021

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 \$144,845, mainly due to the release of SGMA grant retention upon the acceptance of the Groundwater Sustainability Plan (GSP) by DWR and the associated collection of partner fees for SGMA contingency to complete the GSP and the first year of revenues by the SGMA partners for the GSP Implementation.

Current liabilities have decreased from the previous year and include amounts due to vendors, and a payable to the Regional Water Authority (RWA). The decrease is substantially a result from the decrease of payments to vendors who finishing the final details of 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 \$75,526 for administrative service costs incurred towards the end of the fiscal year due to RWA.

The non-current liability of \$0 reflects a net decrease from the prior year and increase in net pension assets. Due to market conditions as of the pension valuation date of June 30, 2020, investment income on the

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

investment pools were unusually large, which resulted in a significant reduction in the net pension liability of the plan and caused RWA's share of the plan assets to be higher than its share of the pension liability, resulting in a net pension asset. Additional contributions RWA has made to the plan also contributed to RWA having a net pension asset. See Note 5 for additional information about SGA's pension plan with CalPERS.

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

For fiscal year 2022, \$675,924 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. See note 4 of notes to basic financial statements for the designation balances by type and the restricted fund balance.

Fiscal year 2021 compared to Fiscal year 2020

Other assets consist of cash and investments, grants receivable, interest receivable and prepaid assets. The increase in fiscal year 2021 was due to an adjustment in capital assets resulting from the computer server and upgrade. 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 increased from the previous year and is substantially from amounts payable to the vendors who were working on the projects fulfilling the SGWP grant along with a payable to RWA. The current liabilities included \$76,782 for administrative service costs incurred at year end.

The non-current liability of \$79,009 reflected 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 increases in deferred outflows and decrease in inflows were 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.).

For fiscal year 2021, \$559,700 of restricted net position had 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.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

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:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>June 30, 2020</u>	<u>Change</u>
Program Revenue:					
Assessment Income	\$ 854,312	\$ 742,656	\$ 111,656	\$ 710,509	\$ 32,147
SGMA Grant Income	121,755	263,226	(141,471)	397,103	(133,877)
SGMA Partner Fees	38,123	49,719	(11,596)	53,230	(3,511)
GSP Implementation Partner Fees	<u>52,024</u>	<u>-</u>	<u>52,024</u>	<u>-</u>	<u>-</u>
Total Program Revenue	1,066,214	1,055,601	10,613	1,160,842	(105,241)
General Revenue - Interest and Other Income	<u>3,910</u>	<u>5,760</u>	<u>(1,850)</u>	<u>20,553</u>	<u>(14,793)</u>
Total Revenue	<u>1,070,124</u>	<u>1,061,361</u>	<u>8,763</u>	<u>1,181,395</u>	<u>(120,034)</u>
Program Expenses	284,427	630,207	(345,780)	650,701	(20,494)
SGMA Grant Expenses	132,043	461,186	(329,143)	630,845	(169,659)
GSP Implementation Expenses	<u>73,664</u>	<u>-</u>	<u>73,664</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>490,134</u>	<u>1,091,393</u>	<u>(601,259)</u>	<u>1,281,546</u>	<u>(190,153)</u>
Increase (decrease) in Net Position	579,990	(30,032)	610,022	(100,151)	70,119
Net Position July 1	<u>753,359</u>	<u>783,391</u>	<u>(30,032)</u>	<u>883,542</u>	<u>(100,151)</u>
Net Position June 30	<u>\$ 1,333,349</u>	<u>\$ 753,359</u>	<u>\$ 579,990</u>	<u>\$ 783,391</u>	<u>\$ (30,032)</u>

Fiscal year 2022 compared to Fiscal year 2021

As planned, assessment fees totaled \$854,312 and are \$111,656 higher than in the previous year representing an overall 15% 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 2022, the groundwater fee increased by approximately seven and a half percent from the previous year at \$7.10 per acre foot, based upon a running five-year average of historical volume, which was calculated as 67,147 acre-feet. The base administrative formula minimum fee was \$12,196 per member. The connection fee was \$1.58 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 2022, 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 2022 represents work completed through June 30, 2022 and includes grant retention that has been withheld on each reimbursement from the inception of the SGMA project. During fiscal year 2022, DWR officially reviewed and accepted the GSA's submitted NASb GSP.

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.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

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	<u>994,276</u>
Total Project Cost	<u>\$2,046,703</u>

For the year ended June 30, 2022, SGA earned \$121,755 in grant income from DWR and \$38,123 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 large investment pension earnings as of the June 30, 2020 valuation date that increased the assets held by the plan. The entries needed to reduce the net pension liability and to increase the results in a credit to pension which reduces the overall program expense. Additionally, lower operating cost due to the COVID-19 pandemic with staff working remotely, lack of public meetings, no travel and training contributed to a decrease in expenditures.

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. For fiscal year 2022, these amounts are significantly lower as consulting service contracts were at the end of completion for the GSP.

As the GSP comes to a close, a new program, GSP Implementation begins. Stemming from DWR's acceptance and approval of the GSP, the NASb GSAs now have to implement the plan with projects and management actions. By executing a Memorandum of Agreement, each of the GSAs have agreed to a initial funding plan over the next five years which is subject to change and does not include the in-kind time that each GSA will contribute or related groundwater expenses related to groundwater management that each GSA may perform that is unique to its area. The total amount of the MOA is \$1,149,300.

Fiscal Year 2021 Compared to Fiscal Year 2020

Assessment fees total \$742,656 and were \$32,147 higher than the prior year representing an overall 4% increase in fee revenue. In fiscal year 2021, the groundwater fee was \$6.60 per acre foot, based upon a running five-year average of historical volume, calculated at 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.

During fiscal year 2021, SGA earned grant revenues and incurred grant expenses in the amount of \$263,226 and \$49,719 in partner fee income to reimburse SGA for SGMA grant consulting costs.

General revenue of \$5,760 represented mostly interest earned.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

Capital Assets

Capital asset investments includes office furniture, office, and leasehold improvements and as of June 30, 2022, capital assets have decreased due to depreciation of assets 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, 2022	Balance June 30, 2021
Furniture	\$ 4,590	\$ 4,590
Equipment	13,843	13,843
Leasehold Improvements	<u>14,786</u>	<u>14,786</u>
Gross Capital Assets	33,219	33,219
Less accumulated depreciation and amortization	<u>(26,580)</u>	<u>(24,537)</u>
Capital Assets, net	<u><u>\$ 6,639</u></u>	<u><u>\$ 8,682</u></u>

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

Special Revenue Fund Condensed Budgetary Analysis

For the fiscal year ended June 30, 2022, 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	\$ 854,312	\$ 854,312	\$ -	-
SGMA Grant Income	145,000	176,800	31,800	22%
SGMA Partner Fees	-	38,123	38,123	100%
GSP Implementation Partner Fees	-	52,024	52,024	100%
Total Program Revenues	999,312	1,121,259	121,947	12%
General Revenue - Interest and Other Income	7,500	3,910	(3,590)	(48%)
Total Revenues	1,006,812	1,125,169	118,357	12%
Expenditures				
Administrative	693,862	515,594	178,268	26%
Office	80,800	55,167	25,633	32%
Professional Fees	151,050	78,356	72,694	48%
Capital Outlay and Equipment	11,100	6,570	4,530	41%
SGMA Grant Expenditures	88,490	132,043	(43,553)	(49%)
GSP Implementation Expenditures	-	73,664	(73,664)	(100%)
Total Expenditures	1,025,302	861,394	163,908	16%
Expenditures (Over) Under Revenues	(18,490)	263,775	282,265	1527%
Fund Balance, July 1, 2021	717,916	717,916	-	-
Fund Balance, June 30, 2022	\$ 699,426	\$ 981,691	\$ 282,265	40%

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 higher compared to the expected budget by \$282,265. 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, 2022 only reflects available revenues which have been collected from DWR as determined by the special revenue fund accounting rules. As the DWR grant concluded at the end of fiscal year 2022, all of the grant proceeds have been reflected in this budget to actual financial statement. 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.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

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 2022, SGMA partner fees included additional contingency funds needed to complete the requirements of the GSP.

GSP Implementation Partner Fees

Resulting from the GSP, SGMA partners have also agreed to fund the next five years to implement the requirements of the GSP. These revenues have been separated and identified as GSP Implementation Revenues. For fiscal year 2022, the GSP Implementation Partner fees were \$52,024 as the MOA for the GSP Implementation was executed in the latter part of the year.

Administrative

SGA incurs administrative expenses from RWA to manage SGA. Total actual administrative costs were \$178,268 lower than budgeted due to a postponement in hiring an additional staff position dedicated to SGA to help assist with the GSP Implementation until fiscal year 2023. Additionally, lower-than-expected OPEB costs as well as suspended travel and training as a result of COVID-19 pandemic contributed to the reduction in administrative expenses. 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 \$25,633 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 \$72,694 due to a decrease in 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. For fiscal year 2022, these expenses came in lower than budgeted by \$4,530 due to the postponement of acquiring new equipment for SGA's new staff position.

SGMA Grant Expenditures

As previously discussed, DWR awarded SGA the SGWP grant for \$994,276 and was completed by June 30, 2022. SGA managed the grant and coordinated the matching grant information from partner activities that fulfill the grant agreement requirements. During the year ended June 30, 2022, these expenditures represent costs paid to consultants to execute the projects required under the grant agreement.

GSP Implementation Expenditures

As the GSP was accepted and approved by DWR, SGA along with its GSA partners now have to implement the plan. The GSAs have agreed to a five-year funding plan to do support these efforts and consultant costs

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

in preparation for the next GSP update. During the year ended June 30, 2022, these expenditures represents costs paid to consultants to execute the projects and management action in accordance with the GSP.

Economic factors and assumptions for fiscal year June 30, 2023

SGA assessment fees continue to be based upon two components: a groundwater fee and a base administrative fee formula. Because of estimated fiscal year 2022 savings, SGA proposed an zero percent (0%) increase to the fiscal year 2023 fees. Prior year savings will be rolled over to pay for the costs related to increasing staff by one position, an Associate Project Manager which will be fully funded by SGA, to assist with ongoing GSP activities.

For fiscal year 2023, 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, 2023 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 COLA. 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, 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 2023 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 \$15,000 in out-sourced support activities towards technical support services as needed.
- 9) The operating fund plus undesignated cash is projected to be approximately 7.5 months for fiscal year 2023. These available funds are slightly over the recommended six-month policy target but may be drawn down over time or may be used for future GSP Implementation needs and/or other programmatic costs as approved by the board.
- 10) Overall expenses are expected to exceed fees by \$103,863. It is projected that SGA will have an available cash balance that will cover this deficit.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022 AND 2021

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 / STATEMENTS OF NET POSITION JUNE 30, 2022 AND 2021

	June 30, 2022		June 30, 2021	
	Special Revenue Fund	Adjustments (Note 6)	Statement of Net Position	Statement of Net Position
ASSETS				
Current Assets				
Cash and Investments	\$ 973,295	\$ -	\$ 973,295	\$ 872,347
Grants Receivable	99,427	-	99,427	57,163
Interest Receivable	1,689	-	1,689	692
Prepaid Assets	5,333	-	5,333	4,697
Total Current Assets	1,079,744	-	1,079,744	934,899
Non-Current Assets				
Net Pension Asset	-	150,928	150,928	-
Capital Assets, net	-	6,639	6,639	8,682
Total Non-Current Assets	-	157,567	157,567	8,682
Total Assets	1,079,744	157,567	1,237,311	943,581
Deferred Outflows - Pension	-	228,796	228,796	83,084
Total Assets and Deferred Outflows	\$ 1,079,744		1,466,107	1,026,665
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 6,974	-	6,974	85,156
Payable to Regional Water Authority	75,526	-	75,526	76,782
Unearned Revenue	15,553	-	15,553	-
Total Current Liabilities	98,053	-	98,053	161,938
Non-Current Liabilities				
Net Pension Liability	-	-	-	79,009
Total Liabilities	98,053	-	98,053	240,947
Deferred Inflows				
Pension	-	34,705	34,705	32,359
Total Deferred Inflows	-	34,705	34,705	32,359
FUND BALANCES				
Non-spendable	5,333	(5,333)	-	-
Restricted	976,358	(976,358)	-	-
Total Fund Balance	981,691	(981,691)	-	-
Total Liabilities and Fund Balances	\$ 1,079,744			
NET POSITION				
Invested in Capital Assets		6,639	6,639	8,682
Restricted		1,326,710	1,326,710	744,677
Net Position		\$ 1,333,349	\$ 1,333,349	\$ 753,359

The accompanying notes are an integral part of these financial statements.

SACRAMENTO GROUNDWATER AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/ STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2022 AND 2021

	June 30, 2022			June 30, 2021
	Special Revenue Fund	Adjustments (Note 6)	Statement of Activities	Statement of Activities
REVENUES				
Program Revenue:				
Assessment Income	\$ 854,312	\$ -	\$ 854,312	\$ 742,656
SGMA Grant Income	176,800	(55,045)	121,755	263,226
SGMA Partner Fees	38,123	-	38,123	49,719
GSP Implementation Partner Fees	52,024	-	52,024	-
Total Program Revenue	1,121,259	(55,045)	1,066,214	1,055,601
General Revenue - Interest and Other Income	3,910	-	3,910	5,760
Total Revenue	1,125,169	(55,045)	1,070,124	1,061,361
PROGRAM EXPENDITURES/EXPENSES				
Shared and Direct Expenditures/Expenses:				
Wages and Salaries	375,405	-	375,405	385,946
Employee Taxes and Benefits	134,549	(373,303)	(238,754)	115,687
Travel and Training	5,640	-	5,640	406
Administrative	515,594	(373,303)	142,291	502,039
Rent	17,787	-	17,787	17,155
Insurance	16,549	-	16,549	15,928
Telephone	4,132	-	4,132	4,836
Dues and Subscriptions	4,900	-	4,900	5,112
Printing, Supplies, Postage and Meetings	4,632	-	4,632	4,168
Computer Maintenance	7,167	-	7,167	9,093
Office	55,167	-	55,167	56,292
Audit and Banking	15,395	-	15,395	15,182
Legal	30,636	-	30,636	20,677
Consultants	32,325	-	32,325	29,941
Professional Fees	78,356	-	78,356	65,800
Capital Outlay and Equipment	6,570	-	6,570	4,544
Depreciation and Amortization	-	2,043	2,043	1,532
Total Program Expenditures/Expenses	655,687	(371,260)	284,427	630,207
SGMA Grant Expenditures/Expenses	132,043	-	132,043	461,186
GSP Implementation Expenditure/Expenses	73,664	-	73,664	-
Total Expenditures/Expenses	861,394	(371,260)	490,134	1,091,393
EXCESS OF REVENUES OVER PROGRAM EXPENDITURES	263,775			
INCREASE (DECREASE) IN NET POSITION		316,215	579,990	(30,032)
FUND BALANCES/NET POSITION				
Beginning Balance, July 1	717,916	35,443	753,359	783,391
Fund Balance/Net Position, June 30	\$ 981,691	\$ 351,658	\$ 1,333,349	\$ 753,359

The accompanying notes are an integral part of these financial statements.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

Net Pension Liability and Related Balances – For purposes of measuring the net pension asset/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, 2022

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

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

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 \$7.10 and \$6.60 per acre foot for the years ended June 30, 2022 and 2021, respectively.

The base administrative fee was calculated based upon the number of connections and was set at a minimum of \$12,196 and \$10,605 for the first 6,000 connections and \$1.58 and \$1.37 for each connection after 6,000 for the years ended June 30, 2022 and 2021, respectively.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 asset/liability for SGA. The net pension asset/liability and the related deferred inflows and outflows reflected in the June 30, 2022 and 2021 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, 2022 and 2021, SGA incurred shared expenses of \$526,172 and \$532,149, respectively, reflecting SGA's 50% share of all common joint office costs, including administrative personnel expenses. At June 30, 2022 and 2021, SGA owed RWA \$75,526 and \$76,782, 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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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:

	<u>2022</u>	<u>2021</u>
Deposits with Financial Institutions	\$ 71,284	\$ 57,905
Investments with LAIF	<u>902,011</u>	<u>814,442</u>
Total Cash and Investments	<u>\$ 973,295</u>	<u>\$ 872,347</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, 2022 and 2021, the average maturity of the investments contained in the LAIF investment pool was approximately 311 and 291 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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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% of its cash invested in LAIF at June 30, 2022 and 2021.

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, 2022 and 2021, SGA's bank balance was \$71,284 and \$57,905, 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, 2022 and 2021 was \$35,761,173,309 and \$37,066,592,514, 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, 2022 and 2021 was \$231,867,874,452 and \$193,463,490,765, 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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

3. CAPITAL ASSETS

A summary of capital assets are as follows:

	Balance			Balance
	June 30, 2021	Increases	Decreases	June 30, 2022
Furniture	\$ 4,590	\$ -	\$ -	\$ 4,590
Equipment	13,843	-	-	13,843
Leasehold Improvements	14,786	-	-	14,786
Total	33,219	-	-	33,219
Less accumulated depreciation	(24,537)	(2,043)	-	(26,580)
Capital Assets, Net	<u>\$ 8,682</u>	<u>\$ (2,043)</u>	<u>\$ -</u>	<u>\$ 6,639</u>

	Balance			Balance
	June 30, 2020	Increases	Decreases	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	<u>\$ -</u>	<u>\$ 8,682</u>	<u>\$ -</u>	<u>\$ 8,682</u>

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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

	<u>2022</u>	<u>2021</u>
Operating Fund	\$ 483,684	\$ 474,700
Update/Modeling GSP	192,240	65,000
Office Expansion/Relocation	<u>-</u>	<u>20,000</u>
	<u>\$ 675,924</u>	<u>\$ 559,700</u>

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, 2021 and 2020 (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

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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:

<u>Fiscal Year</u>	<u>Classic and PEPRA</u>
June 30, 2022	12.770%
June 30, 2021	12.417%

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2022 and 2021, the employer required contributions to the plan were \$39,077 and \$36,316, respectively. Additionally, SGA made non-required employer pension contributions of \$26,700 for each of the years ended June 30, 2022 and 2021, further reducing its unfunded liability.

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

SGA's net pension asset/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, 2021 and 2020 for the years ended June 30, 2022 and 2021, respectively. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2020 and 2019 rolled forward to June 30, 2021 and 2020, respectively, using standard update procedures. For the years ended June 30, SGA's proportionate share of the Plan's NPL are as follows:

	<u>2022</u>	<u>2021</u>
Net Pension (Asset)/Liability	\$ (150,928)	\$ 79,009

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, 2021 and 2020 measurement date. The following tables show SGA's employer allocation factors for the Plan as of the measurement dates for June 30:

2022:	<u>Plan</u>
Proportion - June 30, 2022	(.0079486)%
Proportion - June 30, 2021	<u>.0018731%</u>
Change – decrease	<u>(.0098217)%</u>
2021:	<u>Plan</u>
Proportion - June 30, 2021	.0018731%
Proportion - June 30, 2020	<u>.0015784%</u>
Change – increase	<u>.0002947%</u>

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

For the measurement periods ended June 30, 2021 and 2020 (the measurement dates), SGA incurred a pension credit of \$307,526 and a pension expense of \$52,212, respectively.

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

	Deferred Outflow of Resources	
	2022	2021
Contributions after measurement date	\$ 65,777	\$ 63,016
Difference between actual and expected experience	-	4,072
Net difference between projected and actual earnings on plan investments	131,753	2,347
Adjustments due to differences in proportions	31,266	13,649
	<u>\$ 228,796</u>	<u>\$ 83,084</u>

The \$65,777 and \$63,016 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, 2023 and 2022, respectively.

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

	Deferred Inflow of Resources	
	2022	2021
Difference between actual and expected experience	\$ 16,925	\$ -
Changes in assumptions	-	564
Differences between employer contributions and the employer's proportionate share of contributions	13,169	21,421
Adjustments due to differences in proportions	4,611	10,374
	<u>\$ 34,705</u>	<u>\$ 32,359</u>

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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:

2022:

Measurement Period Ended <u>June 30:</u>	Deferred Outflows/ (Inflows) of <u>Resources</u>
2023	\$ 22,932
2024	33,785
2025	35,187
2026	36,410

2021:

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

Actuarial Assumptions

For the measurement periods ended June 30, 2021 and 2020 (the measurement dates), the TPL was determined by rolling forward the June 30, 2020 and 2019 TPL, respectively. The June 30, 2021 and 2020 TPL were based on the following actuarial methods and assumptions:

2021:

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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

Changes in Assumptions

No benefit or assumption changes were made for the measurement periods ended June 30, 2021 and June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021 and 2020 (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' Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2021 and 2020.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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, 2021			
<u>Asset Class(a)</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(b)</u>	<u>Real Return Years 11+(c)</u>
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	<u>100.0%</u>		

- (a) In the CalPERS' System ACFR, 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, 2020			
<u>Asset Class(a)</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(b)</u>	<u>Real Return Years 11+(c)</u>
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	<u>100.0%</u>		

- (a) In the CalPERS' System ACFR, 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.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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, 2021 and 2020, 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:

2021:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Proportionate Share of Plan's NPL	\$ 53,357	\$ (150,928)	\$ (319,808)

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)

Payable to the Pension Plan – At June 30, 2022 and 2021, 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, 2022 is converted to the statement of net position by recording several financial transactions. SGA records \$6,639 in capital assets, net of accumulated depreciation. As a result of GASB 68, SGA records \$228,796 in deferred outflows related to pensions, \$150,928 in net pension asset, and \$34,705 in deferred inflows for unamortized pension adjustments.

For the year ended June 30, 2022, the statement of revenues, expenditures, and changes in fund balances is converted to the statement of activities by recording several financial transactions. SGA records depreciation expense of \$2,043. Grant revenues decreased by \$55,045 to reflect grant revenue earned based upon grant activity incurred. Pension expense decreased by \$373,303 to reflect amortization of deferred outflows and inflows and adjustments to the net pension asset related to the pension plan.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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. CONTINGENCIES

Programs

Resulting from the Department of Water Resources' (DWR) 2017 Proposition 1 Sustainable Groundwater Planning Grant, the North American Subbasin Groundwater Sustainability Agencies (GSAs) have entered into a Memorandum of Agreement (MOA) for the implementation of its Groundwater Sustainability Plan (GSP Implementation), which will include management of the subbasin along with projects and management actions. The GSAs have designated SGA as the lead agency with DWR and as the GSAs Coordinator. The role of the coordinator includes ensuring that all required submittals to the State are provided in a timely fashion, that the GSAs meet and coordinate on a regular basis for successful GSP Implementation and coordinate activities and findings with adjacent subbasins. SGA has been an ongoing groundwater management agency with permanent staffing since 1998, so it is well positioned to serve in this role. The GSAs have designated the West Placer GSA as the GSAs Administrator. The administrator will serve in important coordination and documentation role for the GSAs as well as to ensure that effective outreach continues during GSP Implementation. Each GSA is committed to actively serving on the GSA Committee and will provide either in-kind staffing or consulting support services for the GSP Implementation.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

The GSAs have agreed to a cost schedule of shared common expenses over the first five years of GSP Implementation totaling \$1,149,300 which will be divided into equal annual payments to each GSA based upon their correlating percentage unique to its area. SGA's annual payment is \$83,171 for each fiscal year from June 30, 2022 to June 30, 2026. Note that this amount is subject to change and these expenses do not include the in-kind time that each GSA will contribute, or other expenses related to groundwater management that each GSA may perform. It is anticipated that DWR will provide the financial support for the construction of new monitoring wells that will be used in conjunction with this project. In the event that support is not provided, the GSP Implementation MOA includes a 20 percent contingency budget of the total estimated budget that could be used for that purpose.

Given the implementation plan, it is expected that payments collected during the first three years will be in excess of expenses since the majority of the expenses will happen in the last two years of the project. As a result, unearned revenue related to the GSP Implementation was \$15,533 at June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO GROUNDWATER AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Program Revenues:			
Assessment Income	\$ 854,312	\$ 854,312	\$ -
SGMA Grant Income	145,000	176,800	31,800
SGMA Partner Fees	-	38,123	38,123
GSP Partner Fees	-	52,024	52,024
Total Program Revenues	999,312	1,121,259	121,947
General Revenue - Interest and Other Income	7,500	3,910	(3,590)
Total Revenues	1,006,812	1,125,169	118,357
PROGRAM AND GRANT EXPENDITURES			
Shared and Direct Expenditures:			
Wages and Salaries	455,941	375,405	80,536
Employee Taxes and Benefits	222,921	134,549	88,372
Travel and Training	15,000	5,640	9,360
Administrative	693,862	515,594	178,268
Rent	27,800	17,787	10,013
Insurance	16,500	16,549	(49)
Telephone	3,000	4,132	(1,132)
Dues and Subscriptions	6,300	4,900	1,400
Printing and Supplies	11,600	4,455	7,145
Postage	1,700	117	1,583
Computer Maintenance	12,500	7,167	5,333
Meetings	1,400	60	1,340
Office	80,800	55,167	25,633
Audit	14,350	14,263	87
Legal Counsel Expense - General	44,100	30,636	13,464
Payroll and Banking Services	1,600	1,132	468
Consulting - General Support Services	51,000	32,325	18,675
Consulting - Program Management	40,000	-	40,000
Professional Fees	151,050	78,356	72,694
Capital Outlay and Equipment	11,100	6,570	4,530
Total Program Expenditures	936,812	655,687	281,125
SGMA Grant Expenditures	88,490	132,043	(43,553)
GSP Project Expenditures	-	73,664	(73,664)
Total Expenditures	1,025,302	861,394	163,908
DEFICIENCY - EXCESS PROGRAM			
EXPENDITURES OVER REVENUES	(18,490)	263,775	282,265
Fund Balance, July 1, 2021	717,916	717,916	-
Fund Balance, June 30, 2022	\$ 699,426	\$ 981,691	\$ 282,265

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

REQUIRED SUPPLEMENTARY DISCLOSURES PENSION

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

	Measurement Date					
	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	-0.007949%	0.001873%	0.001578%	0.002251%	0.002957%	0.003076%
Proportionate share of the net pension (asset)/liability	\$ (150,928)	\$ 79,009	\$ 63,208	\$ 84,845	\$ 116,581	\$ 106,839
Covered - employee payroll	\$ 306,879	\$ 302,959	\$ 285,636	\$ 289,758	\$ 263,178	\$ 266,850
Proportionate share of the net pension liability as a percentage of covered payroll	(49.18%)	26.08%	22.13%	29.28%	44.30%	40.04%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%	75.87%
SGA fiduciary net position as a percentage of the SGA pension asset/liability	109.75%	94.39%	94.82%	92.10%	90.24%	89.09%

Notes to Schedule:

For the measurement periods ended June 30, 2021, 2020, 2019, 2016 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.

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					
	<u>2021-2022</u>	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Contractually required contribution (actuarially determined)	\$ 39,077	\$ 36,316	\$ 32,003	\$ 27,571	\$ 27,004	\$ 23,831
Contributions in relation to the actuarially determined contributions	65,777	63,016	46,503	76,921	53,904	50,731
Contribution excess	<u>\$ (26,700)</u>	<u>\$ (26,700)</u>	<u>\$ (14,500)</u>	<u>\$ (49,350)</u>	<u>\$ (26,900)</u>	<u>\$ (26,900)</u>
Covered - employee payroll	\$ 320,760	\$ 306,879	\$ 302,959	\$ 285,636	\$ 289,758	\$ 263,178
Contributions as a percentage of covered - employee payroll	20.51%	20.53%	15.35%	26.93%	18.60%	19.28%
Contributions valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contributions measurement date:	June 30, 2020	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	Market Value
Investment Rate of Return	7.00%	7.25%	7.25%	7.375%	7.50%	7.50%
Inflation	2.50%	2.625%	2.625%	2.75%	2.75%	2.75%
Payroll Growth	2.75%	2.875%	2.875%	3.00%	3.00%	3.00%
Salary Increases			Varies by entry age and service			
Mortality			Most recent CalPERS Experience Study			

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

**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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 23, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and fluid.

GILBERT CPAs
Sacramento, California

November 23, 2022

AGENDA ITEM 5: GROUNDWATER SUSTAINABILITY PROGRAM UPDATE

BACKGROUND:

Staff will provide an update on Groundwater Sustainability Plan (GSP) implementation activities.

Information and Presentation: Trevor Joseph, Manager of Technical Services

Action: Approve Resolution 2022-04 authorizing SGA to enter into a grant agreement with the Department of Water Resources for the North American Subbasin (NASb) SGMA planning and implementation project

Attachment:

Resolution 2022-04

RESOLUTION NO. 2022-04

Resolved by the Sacramento Groundwater Authority (SGA) Board of Directors that an application be made to the Department of Water Resources to obtain a grant under the 2021 Sustainable Groundwater Management (SGM) Grant Program SGMA Implementation Grant pursuant to the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Pub. Resources Code, § 80000, et seq.) and the Budget Acts of 2021 and 2022. Be it further resolved that the SGA Board of Directors has the authority and shall enter into a funding agreement with the Department of Water Resources to receive a grant for the: Advancing North American Subbasin (NASb) Sustainable Groundwater Management.

The Executive Director of the SGA is hereby authorized and directed to prepare the necessary data, conduct investigations, file such application, execute a funding agreement and any future amendments thereto, submit invoices, and submit any reporting requirements with the Department of Water Resources.

Passed and adopted at a meeting of the Board of Directors on December 8, 2022.

Authorized Original Signature: _____

Printed Name: _____

Title: _____

Clerk/Secretary: _____

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the SGA held on December 8, 2022.

Clerk/Secretary: _____

executing the Agreement and beginning the Project.

AGENDA ITEM 6: ELECTION OF SGA 2023 OFFICERS

BACKGROUND:

The SGA Board elects a chairperson and vice-chair annually at its December meeting. The Chair appointed a nominating committee including himself, Caryl Sheehan, Brett Ewart, and Mary Harris.

AD HOC COMMITTEE RECOMMENDATION:

Information Update: SGA Ad Hoc Nominating Committee

Action: Elect 2023 SGA Chair and Vice Chair

AGENDA ITEM 7: EXECUTIVE DIRECTOR'S REPORT

DECEMBER 8, 2022

TO: SACRAMENTO GROUNDWATER AUTHORITY BOARD

FROM: JIM PEIFER

RE: EXECUTIVE DIRECTOR'S REPORT

- a. Compensation Study** – The RWA Compensation Study has concluded. Regional Government Services (RGS) presented its findings and recommendations which were approved at the November 10, 2022 RWA Board of Directors' Meeting. The updated compensation schedule, SGA 100.3 Exhibit A, is attached.
- b. Space Planning Update** – On August 31, 2022, RWA's Ad Hoc Space Planning Committee met to discuss potential alternatives to the RWA and SGA office space and location. As Board members may know, the lease on the Birdcage office space runs to August 2023. The RWA has outgrown its current office space. Two staff members are working from home on a permanent basis due to the lack of available office space. The Ad Hoc committee discussed several items including obtaining services of a commercial real estate broker and utilizing member's conference meeting spaces for monthly board meetings.
- c. Announcements** – We hope you join tonight at the 2022 RWA/SGA Annual Holiday Social. The location is at the Del Paso Manor Country Club.
- d. SGA Financial reports** – Local Agency Investment Fund Statement and income statement as of October 31, 2022 are attached.

Attachments:

SGA 100.3 Exhibit A
Financial Reports

EXHIBIT A
SGA POLICY 100.3

MONTHLY SALARY SCHEDULE OF SGA POSITIONS

November 10, 2022

Classification	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Manager of Technical Services	\$14,335	\$14,830	\$15,359	\$15,928	\$16,541	\$17,202
Manager of Strategic Affairs	\$14,335	\$14,830	\$15,359	\$15,928	\$16,541	\$17,202
Principal Project Manager	\$11,946	\$12,358	\$12,779	\$13,273	\$13,784	\$14,335
Senior Project Manager	\$9,955	\$10,298	\$10,666	\$11,061	\$11,487	\$11,946
Associate Project Manager	\$7,118	\$7,363	\$7,626	\$7,908	\$8,213	\$8,541
Finance & Administrative Services Manager I	\$9,979	\$10,323	\$10,692	\$11,088	\$11,514	\$11,975
Executive Assistant	\$5,774	\$6,005	\$6,289	\$6,514	\$6,697	\$6,929
Project Research Assistant	\$5,166	\$5,372	\$5,578	\$5,785	\$5,993	\$6,199

There is no range for the Executive Director position. The Executive Director's compensation is \$19,601 per month.

Exhibit A will be updated annually based on the November Consumer Price Index and/or when a new salary survey is completed. (2022 ranges include COLA per November 2021 CPI Index of 6.9%)

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

November 30, 2022

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

SACRAMENTO GROUNDWATER AUTHORITY

ADMINISTRATIVE SERVICES MANAGER
5620 BIRDCAGE STREET, #180
CITRUS HEIGHTS, CA 95610

[Tran Type Definitions](#)

Account Number: 90-34-020

October 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
10/14/2022	10/13/2022	QRD	1716027	N/A	SYSTEM	4,062.74

Account Summary

Total Deposit:	4,062.74	Beginning Balance:	1,503,699.39
Total Withdrawal:	0.00	Ending Balance:	1,507,762.13

SACRAMENTO GROUNDWATER AUTH.

Income Statement

October 2022

	<i>4 Months Ended October 31, 2022</i>	<i>Annual Budget</i>	<i>Unused</i>	<i>% Used</i>
REVENUES				
Groundwater Fees Revenue	892,615.00	514,099.00	(378,516.00)	173.6 %
Base Administrative Fee	0.00	378,516.00	378,516.00	
Program Revenues	2,200.00	146,689.00	144,489.00	1.5 %
Cash Discount	119.51	0.00	(119.51)	
Interest Income	1,688.75	3,500.00	1,811.25	48.3 %
TOTAL REVENUES	896,623.26	1,042,804.00	146,180.74	86.0 %
 Total REVENUE	 896,623.26	 1,042,804.00	 146,180.74	 86.0 %
 GROSS PROFIT	 896,623.26	 1,042,804.00	 146,180.74	 86.0 %
 OPERATING EXPENDITURES				
Staff Expenses				
General Salaries	107,057.89	509,837.00	402,779.11	21.0 %
Benefits/Taxes	37,694.01	211,293.00	173,598.99	17.8 %
Travel / Meals	1,688.50	12,000.00	10,311.50	14.1 %
Professional Development	975.00	6,000.00	5,025.00	16.3 %
TOTAL Staff Expenses	147,415.40	739,130.00	591,714.60	19.9 %
Office Expenses				
Rent & Utilities	5,929.00	17,787.00	11,858.00	33.3 %
Insurance	1,629.65	16,750.00	15,120.35	9.7 %
Office Maintenance	350.00	500.00	150.00	70.0 %
Telephone	983.91	3,500.00	2,516.09	28.1 %
Dues and Subscription	0.00	6,600.00	6,600.00	
Printing & Supplies	1,010.32	11,500.00	10,489.68	8.8 %
Postage	119.13	1,800.00	1,680.87	6.6 %
Meetings	1,446.71	1,500.00	53.29	96.4 %
Computer Equipment/Support	4,239.99	17,400.00	13,160.01	24.4 %
TOTAL Office Expenses	15,708.71	77,337.00	61,628.29	20.3 %
Office Furniture & Equipment				
Office Furniture	0.00	2,000.00	2,000.00	
Office Move	0.00	10,000.00	10,000.00	
TOTAL Office Furniture & Equipment	0.00	12,000.00	12,000.00	
Professional Fees				

	<i>4 Months Ended October 31, 2022</i>	<i>Annual Budget</i>	<i>Unused</i>	<i>% Used</i>
ADP / Banking Charges	330.81	1,800.00	1,469.19	18.4 %
Audit Fees	0.00	15,400.00	15,400.00	
Legal Fees	875.00	50,000.00	49,125.00	1.8 %
GASB 68 reporting fee	700.00	0.00	(700.00)	
Consulting Expenses	1,035.75	27,750.00	26,714.25	3.7 %
Budget/audit/actuarial	13,035.00	35,950.00	22,915.00	36.3 %
Human Resources Services	0.00	20,000.00	20,000.00	
Recruiting	921.70	0.00	(921.70)	
TOTAL Professional Fees	16,898.26	150,900.00	134,001.74	11.2 %
Special Projects Expenses				
2022 GSP Imp - Consulting	1,343.25	167,300.00	165,956.75	0.8 %
TOTAL Special Projects Expenses	1,343.25	167,300.00	165,956.75	0.8 %
TOTAL OPERATING EXPENDITURES	181,365.62	1,146,667.00	965,301.38	15.8 %
OPERATING INCOME (LOSS)	715,257.64	(103,863.00)	(819,120.64)	-688.7 %
NET OPERATING INCOME (LOSS)	715,257.64	(103,863.00)	(819,120.64)	-688.7 %
NET INCOME (LOSS) OF PROGRAM	715,257.64	(103,863.00)	(819,120.64)	-688.7 %

AGENDA ITEM 8: DIRECTORS' COMMENTS