

**SACRAMENTO GROUNDWATER
AUTHORITY**

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

JUNE 30, 2023 AND 2022

SACRAMENTO GROUNDWATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Groundwater Authority
Sacramento, California

Opinions

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, 2023, 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 respective financial position of the governmental activities and special revenue fund of the Authority as of June 30, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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 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, budgetary comparison information, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions to the Pension Plan as listed in the accompanying 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 December 8, 2023 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.

Board of Directors
Sacramento Groundwater Authority

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Other Matters

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2022, from which the summarized information was derived. The financial statements as of and for the year ended June 30, 2022 were audited by other auditors, who expressed an unmodified opinion in their report dated November 23, 2022.

Richardson & Company, LLP

December 8, 2023

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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, 2023, and 2022. This discussion analysis should be read in conjunction with the financial statements and can be found on pages 12 to 28 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 schedule of revenues, expenditures, and changes in fund balance – budget to actual are included as required supplementary information on pages 29 and 30 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 schedules 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, 2023 and 2022. This statement reflects the operating activity as both a special revenue fund and also converts to a statement of activity. All changes in net position are reported as soon as the underlying event is measurable and available. Expenditures/expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., amounts due to vendors) for both the fund balance and net position. Revenues are reported when available (i.e., grant awards) for fund balance and reported when earned in the net position statement.

The statements of revenues, expenditures, and changes in fund balance – budget to actual illustrate the actual results compared to the legally adopted budget on a fund basis. The fund basis does not include depreciation expense and unavailable revenue but can include capital asset purchases as expenditures. These budget to actual fund balance statements can be found on pages 29 to 30.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The notes to the financial statements can be found on pages 14 to 28 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:

| | 2023 | 2022 | Change | 2021 | Change |
|------------------------------------|--------------|--------------|--------------|------------|------------|
| Current Assets | \$ 1,272,374 | \$ 1,079,744 | \$ 192,630 | \$ 934,899 | \$ 144,845 |
| Net Pension Asset | - | 150,928 | (150,928) | - | 150,928 |
| Capital Assets, net | 4,596 | 6,639 | (2,043) | 8,682 | (2,043) |
| Deferred Outflows - Pension | 244,302 | 228,796 | 15,506 | 83,084 | 145,712 |
| Total Assets and Deferred Outflows | 1,521,272 | 1,466,107 | 55,165 | 1,026,665 | 439,442 |
| Current Liabilities | 253,671 | 98,053 | 155,618 | 161,938 | (63,885) |
| Non-Current Liabilities | 105,072 | - | 105,072 | 79,009 | (79,009) |
| Total Liabilities | 358,743 | 98,053 | 260,690 | 240,947 | (142,894) |
| Deferred Inflows - Pension | 18,688 | 34,705 | (16,017) | 32,359 | 2,346 |
| Net Position: | | | | | |
| Invested in capital assets | 4,596 | 6,639 | (2,043) | 8,682 | (2,043) |
| Restricted | 1,139,245 | 1,326,710 | (187,465) | 744,677 | 582,033 |
| Total Net Position | \$ 1,143,841 | \$ 1,333,349 | \$ (189,508) | \$ 753,359 | \$ 579,990 |

Fiscal year 2023 compared to Fiscal year 2022

Current assets consist of cash and investments, grants receivable, interest receivable and prepaid assets. Current assets increased from the previous year due to an increase in cash and investments by \$192,630, mainly due to the collection of funds to implement the Groundwater Sustainability Plan (GSP), increase in member fees from increased groundwater usage and improved LAIF interest performance.

Current liabilities have also increased from the previous year by \$155,618 and include amounts due to vendors and a payable to the Regional Water Authority (RWA). The increase is substantially a result from the increase of payments to consultants who are implementing the GSP actions and projects. 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 \$74,122 for administrative service costs incurred towards the end of the fiscal year due to RWA.

The non-current liability of \$105,072 reflects a net increase from the prior year and decrease in net pension assets due to a change of market conditions as of the pension measurement date of June 30, 2022. In the prior year's valuation date of June 30, 2020, investment income on the investment pools were unusually large, which resulted in a significant reduction in the net pension liability of the plan and caused SGA's share of the plan assets to be higher than its share of the pension liability, resulting in a net pension asset. During this period, this has essentially been reversed. SGA made additional contributions to the plan as well. See Note 5 for additional information about SGA's pension plan with CalPERS.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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

For fiscal year 2023, \$335,757 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. See note 4 of notes to basic financial statements for the designation balances by type and the restricted fund balance.

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 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 decreased from the previous year and included amounts due to vendors, and a payable to the RWA. The decrease is substantially a result of the decrease of payments to vendors who finished the final details of the SGWP grant. The current liabilities also included \$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 as explained above.

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.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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, 2023</u> | <u>June 30, 2022</u> | <u>Change</u> | <u>June 30, 2021</u> | <u>Change</u> |
|---|----------------------|----------------------|--------------------|----------------------|-------------------|
| Program Revenue: | | | | | |
| Assessment Income | \$ 892,615 | \$ 854,312 | \$ 38,303 | \$ 742,656 | \$ 111,656 |
| SGMA Grant Income | - | 121,755 | (121,755) | 263,226 | (141,471) |
| SGMA Partner Fees | - | 38,123 | (38,123) | 49,719 | (11,596) |
| GSP Implementation Partner Fees | 90,782 | 52,024 | 38,758 | - | 52,024 |
| Total Program Revenue | 983,397 | 1,066,214 | (82,817) | 1,055,601 | 10,613 |
| General Revenue - Interest and Other Income | 29,988 | 3,910 | 26,078 | 5,760 | (1,850) |
| Total Revenue | <u>1,013,385</u> | <u>1,070,124</u> | <u>(56,739)</u> | <u>1,061,361</u> | <u>8,763</u> |
| Program Expenses | 1,080,453 | 284,427 | 796,026 | 630,207 | (345,780) |
| SGMA Grant Expenses | - | 132,043 | (132,043) | 461,186 | (329,143) |
| GSP Implementation Expenses | 122,440 | 73,664 | 48,776 | - | 73,664 |
| Total Expenses | <u>1,202,893</u> | <u>490,134</u> | <u>712,759</u> | <u>1,091,393</u> | <u>(601,259)</u> |
| Increase (decrease) in Net Position | (189,508) | 579,990 | (769,498) | (30,032) | 610,022 |
| Net Position July 1 | <u>1,333,349</u> | <u>753,359</u> | <u>579,990</u> | <u>783,391</u> | <u>(30,032)</u> |
| Net Position June 30 | <u>\$ 1,143,841</u> | <u>\$ 1,333,349</u> | <u>\$(189,508)</u> | <u>\$ 753,359</u> | <u>\$ 579,990</u> |

Fiscal year 2023 compared to Fiscal year 2022

As planned, assessment fees totaled \$892,615 and are \$38,303 higher than in the previous year representing an overall 4.5% 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 2023, the groundwater fee remained the same from the previous year at \$7.10 per acre foot, based upon a running five-year average of historical volume, which was calculated as 68,170 acre-feet. The base administrative formula minimum fee remained at \$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.

During fiscal year 2023, SGA did not earn any grant income from DWR as the GSP was completed in the 2022 fiscal year.

In fiscal year 2023, the GSP Implementation began. Stemming from DWR's acceptance and approval of the GSP, the NASb Groundwater Sustainability Agencies (GSAs) will implement the plan with various projects and management actions. By execution of a Memorandum of Agreement, each of the GSAs have agreed to an 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. 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.

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

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

Program expenses have increased greater than three times than the prior year due to the large investment pension earnings reported as of the June 30, 2020 valuation date that increased the assets held by the plan. As of June 30, 2021 valuation date, the entries needed to increase the net pension liability result in an increase to the overall program expense.

SGMA grant expenses are zero dollars since the completion and submission of the GSP.

The GSP Implementation Expenses reflect the amount of consultant's work utilized to advance the GSP. For 2023, the expense was lower than the collected income which is expected given the kick-off date of the GSP Implementation Project and the retirement of RWA's Manager of Technical Services who served as the GSP Project Manager.

Fiscal Year 2022 Compared to Fiscal Year 2021

Assessment fees totaled \$854,312 and are \$111,656 higher than in the previous year, representing an overall 15% increase in fee revenue. 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 represented work completed through June 30, 2022 and included 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 total GSP project cost was \$2,046,703 with funding sources from DWR grant awards, direct contributions from SGA and its GSA partners and in-kind staff time. 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. The consulting expenses were significantly lower than the prior year as the consulting contracts were at the end of completion for the GSP.

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

Program expenses were 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 net pension asset results in a credit to pension expense which reduces the overall program expense. Additionally, lower operating costs due to the COVID-19 pandemic with staff working remotely, lack of public meetings, no travel and training contributed to a decrease in expenditures.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

Capital Assets

Capital asset investments includes office furniture, office, and leasehold improvements and as of June 30, 2023, 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, 2023 | Balance June 30, 2022 |
|--|--|--|
| 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>(28,623)</u> | <u>(26,580)</u> |
| Capital Assets, net | <u><u>\$ 4,596</u></u> | <u><u>\$ 6,639</u></u> |

Special Revenue Fund Condensed Budgetary Analysis

For the fiscal year ended June 30, 2023, the following condensed Schedule 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 | \$ 892,615 | \$ 892,615 | \$ - | - |
| GSP Implementation Partner Fees | <u>146,689</u> | <u>90,782</u> | <u>(55,907)</u> | <u>(38%)</u> |
| Total Program Revenues | 1,039,304 | 983,397 | (55,907) | (5%) |
| General Revenue - Interest and Other Income | <u>3,500</u> | <u>29,988</u> | <u>26,488</u> | <u>757%</u> |
| Total Revenues | <u>1,042,804</u> | <u>1,013,385</u> | <u>(29,419)</u> | <u>(3%)</u> |
| Expenditures | | | | |
| Administrative | 739,130 | 704,670 | 34,460 | 5% |
| Office | 74,337 | 67,379 | 6,958 | 9% |
| Professional Fees | 150,900 | 67,732 | 83,168 | 55% |
| Capital Outlay and Equipment | 15,000 | 14,152 | 848 | 6% |
| GSP Implementation Expenditures | <u>167,300</u> | <u>122,440</u> | <u>44,860</u> | <u>(100%)</u> |
| Total Expenditures | <u>1,146,667</u> | <u>976,373</u> | <u>170,294</u> | <u>15%</u> |
| Expenditures (Over) Under Revenues | (103,863) | 37,012 | 140,875 | 136% |
| Fund Balance, July 1, 2022 | <u>981,691</u> | <u>981,691</u> | <u>-</u> | <u>-</u> |
| Fund Balance, June 30, 2023 | <u><u>\$ 877,828</u></u> | <u><u>\$1,018,703</u></u> | <u><u>\$ 140,875</u></u> | <u><u>16%</u></u> |

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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 ending fund balance was 16% higher than the expected budget by \$140,875. Significant budget versus actual variances are as follows.

GSP Implementation Partner Fees

Resulting from the submitted completion of the GSP, SGMA partners agreed to fund the next five years to implement the requirements of the GSP. These revenues have been separated and identified as GSP Implementation Partner Fees. For fiscal year 2023, the GSP Implementation Partner fees (excluding SGA's own contribution) were \$90,782 in accordance with the budget outlined in their MOA.

Administrative

SGA incurs administrative expenses from RWA to manage SGA. Total actual administrative costs were \$34,460 lower than budgeted due to multiple retirements (Executive Assistant and Manager of Technical Services) and delay on the start date of the SGA Associate Project Manager position.

Office

Office expenses are shared 50/50 with RWA as part of the administrative services agreement. Overall, these costs were \$6,958 lower than budgeted. Most of the savings came from lower than planned office expenses associated with remote meetings and reduced office expense.

Professional Fees

Overall professional fees came in significantly lower than budgeted by \$83,168 due to reduced use of consultants stemming from the turnover/retirement of the Manager of Technical Services who served as the GSP Project Manager.

Capital Outlay and Equipment

Capital outlay and equipment represents SGA's share of the cost of office and computer equipment which met SGA's asset capitalization policy. For fiscal year 2023, these expenses came in just slightly below budget at \$848 under.

GSP Implementation Expenditures

The five GSAs agreed to a five-year funding plan to do support these efforts and consultant costs to implement the GSP. The annual amount to be contributed is the same over the project term to assist with the individual agency's budgeting process. However, it is expected that the actual expenses will fluctuate from year to year with the initial years of expense being less and the final years being higher.

Economic factors and assumptions for fiscal year June 30, 2024

SGA assessment fees continue to be based upon two components: a groundwater fee and a base administrative fee formula. Because of estimated fiscal year 2023 savings, SGA proposed a zero percent (0%) increase to the fiscal year 2024 fees. Prior year savings will be rolled over to pay for the costs related to staff salary increases resulting from the five-year market compensation survey, increase in rent and moving expense as a result of the RWA and SGA office relocation, and to assist with ongoing GSP activities.

SACRAMENTO GROUNDWATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

For fiscal year 2024, it is expected that revenues will not fully cover expenses. 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, 2024 budget include:

- 1) SGA expects to continue implementation of the GSP as part of the commitment to SGMA. SGA anticipates applying for and successfully being awarded a grant from DWR to assist with the GSP Implementation. In the event of an award, these funds would be able to extend the programmatic elements of the GSP and may reduce the amount required by the five GSAs.
- 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 6% 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) No additional payment to CalPERS is budgeted in fiscal year 2024 based on the CalPERS projected unfunded pension liability statement.
- 7) Professional fees include public relations, human resources, accounting, actuarial, and legal.
- 8) The SGA consulting budget reflects \$40,000 in out-sourced support activities towards technical support services and \$25,000 in corrective GSP action as needed.
- 9) The operating fund plus undesignated cash is projected to be approximately 7.2 months for fiscal year 2024. 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 \$216,539. It is projected that SGA will have an available cash balance that will cover this deficit.

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, 2295 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833.

SACRAMENTO GROUNDWATER AUTHORITY

GOVERNMENTAL FUND BALANCE SHEET / STATEMENTS OF NET POSITION JUNE 30, 2023 AND 2022

| | June 30, 2023 | | June 30, 2022 | |
|--|----------------------------|-------------------------|---------------------------------|---------------------------------|
| | Special Revenue Fund | Adjustments (Note 6) | Statement of Net Position | Statement of Net Position |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Investments | \$ 1,251,894 | \$ - | \$ 1,251,894 | \$ 973,295 |
| Grants Receivable | - | - | - | 99,427 |
| Interest Receivable | 9,360 | - | 9,360 | 1,689 |
| Prepaid Assets | 11,120 | - | 11,120 | 5,333 |
| Total Current Assets | 1,272,374 | - | 1,272,374 | 1,079,744 |
| Non-Current Assets | | | | |
| Net Pension Asset | - | - | - | 150,928 |
| Capital Assets, net | - | 4,596 | 4,596 | 6,639 |
| Total Non-Current Assets | - | 4,596 | 4,596 | 157,567 |
| Total Assets | 1,272,374 | 4,596 | 1,276,970 | 1,237,311 |
| Deferred Outflows - Pension | - | 244,302 | 244,302 | 228,796 |
| Total Assets and Deferred Outflows | \$ 1,272,374 | | 1,521,272 | 1,466,107 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 11,037 | - | 11,037 | 6,974 |
| Payable to Regional Water Authority | 96,462 | - | 96,462 | 75,526 |
| Unearned Revenue | 146,172 | - | 146,172 | 15,553 |
| Total Current Liabilities | 253,671 | - | 253,671 | 98,053 |
| Non-Current Liabilities | | | | |
| Net Pension Liability | - | 105,072 | 105,072 | - |
| Total Liabilities | 253,671 | 105,072 | 358,743 | 98,053 |
| Deferred Inflows | | | | |
| Pension | - | 18,688 | 18,688 | 34,705 |
| Total Deferred Inflows | - | 18,688 | 18,688 | 34,705 |
| FUND BALANCES | | | | |
| Non-spendable | 11,120 | (11,120) | - | - |
| Restricted | 1,007,583 | (1,007,583) | - | - |
| Total Fund Balance | 1,018,703 | (1,018,703) | - | - |
| Total Liabilities and Fund Balances | \$ 1,272,374 | | | |
| NET POSITION | | | | |
| Invested in Capital Assets | | 4,596 | 4,596 | 6,639 |
| Restricted | | 1,139,245 | 1,139,245 | 1,326,710 |
| Net Position | | \$ 1,143,841 | \$ 1,143,841 | \$ 1,333,349 |

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, 2023 AND 2022

| | June 30, 2023 | | | June 30, 2022 |
|---|----------------------------|-------------------------|----------------------------|----------------------------|
| | Special Revenue Fund | Adjustments (Note 6) | Statement of Activities | Statement of Activities |
| REVENUES | | | | |
| Program Revenue: | | | | |
| Assessment Income | \$ 892,615 | \$ - | \$ 892,615 | \$ 854,312 |
| SGMA Grant Income | - | - | - | 121,755 |
| SGMA Partner Fees | - | - | - | 38,123 |
| GSP Implementation Partner Fees | 90,782 | - | 90,782 | 52,024 |
| Total Program Revenue | 983,397 | - | 983,397 | 1,066,214 |
| General Revenue - Interest and Other Income | 29,988 | - | 29,988 | 3,910 |
| Total Revenue | 1,013,385 | - | 1,013,385 | 1,070,124 |
| PROGRAM EXPENDITURES/EXPENSES | | | | |
| Shared and Direct Expenditures/Expenses: | | | | |
| Wages and Salaries | 490,611 | - | 490,611 | 375,405 |
| Employee Taxes and Benefits | 196,965 | 224,477 | 421,442 | (238,754) |
| Travel and Training | 17,094 | - | 17,094 | 5,640 |
| Administrative | 704,670 | 224,477 | 929,147 | 142,291 |
| Rent | 17,787 | - | 17,787 | 17,787 |
| Insurance | 21,626 | - | 21,626 | 16,549 |
| Telephone | 3,872 | - | 3,872 | 4,132 |
| Dues and Subscriptions | 3,370 | - | 3,370 | 4,900 |
| Printing, Supplies, Postage and Meetings | 8,180 | - | 8,180 | 4,632 |
| Computer Maintenance | 12,544 | - | 12,544 | 7,167 |
| Office | 67,379 | - | 67,379 | 55,167 |
| Audit and Banking | 16,723 | - | 16,723 | 15,395 |
| Legal | 10,606 | - | 10,606 | 30,636 |
| Consultants | 40,403 | - | 40,403 | 32,325 |
| Professional Fees | 67,732 | - | 67,732 | 78,356 |
| Capital Outlay and Equipment | 14,152 | - | 14,152 | 6,570 |
| Depreciation and Amortization | - | 2,043 | 2,043 | 2,043 |
| Total Program Expenditures/Expenses | 853,933 | 226,520 | 1,080,453 | 284,427 |
| SGMA Grant Expenditures/Expenses | - | - | - | 132,043 |
| GSP Implementation Expenditure/Expenses | 122,440 | - | 122,440 | 73,664 |
| Total Expenditures/Expenses | 976,373 | 226,520 | 1,202,893 | 490,134 |
| EXCESS OF REVENUES OVER PROGRAM EXPENDITURES | 37,012 | | | |
| (DECREASE) INCREASE IN NET POSITION | | (226,520) | (189,508) | 579,990 |
| FUND BALANCES/NET POSITION | | | | |
| Beginning Balance, July 1 | 981,691 | 351,658 | 1,333,349 | 753,359 |
| Fund Balance/Net Position, June 30 | \$ 1,018,703 | \$ 125,138 | \$ 1,143,841 | \$ 1,333,349 |

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

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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, 2023

| | |
|-------------------------|-------------------------------|
| Valuation Date (VD) | June 30, 2021 |
| Measurement Date (MD) | June 30, 2022 |
| Measurement Period (MP) | July 1, 2021 to June 30, 2022 |

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 |

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 per acre foot for the years ended June 30, 2023 and 2022.

The base administrative fee was calculated based upon the number of connections and was set at a minimum of \$12,196 for the first 6,000 connections and \$1.58 for each connection after 6,000 for both the years ended June 30, 2023 and 2022.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022 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, 2023 and 2022, SGA incurred shared expenses of \$747,907 and \$526,172, respectively, reflecting SGA's 50% share of all common joint office costs, including administrative personnel expenses. At June 30, 2023 and 2022, SGA owed RWA \$96,462 and \$75,526, 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 furniture, equipment 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, 2023 AND 2022

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>2023</u> | <u>2022</u> |
|--------------------------------------|---------------------|-------------------|
| Deposits with Financial Institutions | \$ 103,217 | \$ 71,284 |
| Investments with LAIF | <u>1,148,677</u> | <u>902,011</u> |
| Total Cash and Investments | <u>\$ 1,251,894</u> | <u>\$ 973,295</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, 2023 and 2022, the average maturity of the investments contained in the LAIF investment pool was approximately 260 and 311 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, 2023 AND 2022

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 92% and 93% of its cash invested in LAIF at June 30, 2023 and 2022, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and SGA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the California Government Code section 53652 which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

Custodial credit risk does not apply to a local government's indirect investment in securities using mutual funds or government investment pools such as LAIF. At June 30, 2023 and 2022, SGA's bank balance was \$103,496 and \$71,284, 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 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, 2023 and 2022 was \$177,045,532,802 and \$231,867,874,452, 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, 2023 AND 2022

3. CAPITAL ASSETS

A summary of capital assets are as follows:

| | Balance June 30, 2022 | Increases | Decreases | Balance June 30, 2023 |
|-------------------------------|--|-------------------|------------------|--|
| Furniture | \$ 4,590 | \$ - | \$ - | \$ 4,590 |
| Equipment | 13,843 | - | - | 13,843 |
| Leasehold Improvements | 14,786 | - | - | 14,786 |
| Total | 33,219 | - | - | 33,219 |
| Less accumulated depreciation | (26,580) | (2,043) | - | (28,623) |
| Capital Assets, Net | <u>\$ 6,639</u> | <u>\$ (2,043)</u> | <u>\$ -</u> | <u>\$ 4,596</u> |

| | Balance June 30, 2021 | Increases | Decreases | Balance 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> |

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, 2023 AND 2022

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

| | <u>2023</u> | <u>2022</u> |
|---------------------|-------------------|-------------------|
| Operating Fund | \$ 335,757 | \$ 483,684 |
| Update/Modeling GSP | <u>247,580</u> | <u>192,240</u> |
| | <u>\$ 583,337</u> | <u>\$ 675,924</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, 2022 and 2021 (measurement dates), qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool (Miscellaneous Pool). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the “Public Employees’ Pension Reform Act of 2013” (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute. The Miscellaneous Pool is closed to new employees unless the new employee is considered a classic member as defined by the California Public Employees’ Pension Reform Act (PEPRA).

Benefits Provided

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

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers are determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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:

| | Employer | | Employee | |
|---------------|-----------------|--------------|-----------------|--------------|
| | Classic | PEPRA | Classic | PEPRA |
| June 30, 2023 | 11.06% | 7.76% | 7.00% | 7.25% |
| June 30, 2022 | 11.06% | 7.73% | 7.00% | 6.75% |

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2023 and 2022, the employer required contributions to the plan were \$49,474 and \$39,077, respectively. Additionally, SGA made non-required employer pension contributions of \$26,700 for each of the years ended June 30, 2023 and 2022, 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, 2022 and 2021 for the years ended June 30, 2023 and 2022, respectively. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2021 and 2020 rolled forward to June 30, 2022 and 2021, respectively, using standard update procedures. For the years ended June 30, SGA's proportionate share of the Plan's NPL are as follows:

| | 2023 | 2022 |
|-------------------------------|-------------|--------------|
| Net Pension Liability/(Asset) | \$ 105,072 | \$ (150,928) |

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, 2022 and 2021 measurement date. The following tables show SGA's employer allocation factors for the Plan as of the measurement dates for June 30:

| | |
|----------------------------|-------------|
| 2023: | Plan |
| Proportion - June 30, 2023 | .0022455% |
| Proportion - June 30, 2022 | (.0079486)% |
| Change – decrease | (.0101941)% |
| 2022: | Plan |
| Proportion - June 30, 2022 | (.0079486)% |
| Proportion - June 30, 2021 | .0018731% |
| Change – increase | (.0098217)% |

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

For the measurement periods ended June 30, 2022 and 2021 (the measurement dates), SGA incurred pension expense of \$300,651 and a pension credit of \$307,526, respectively.

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

| | Deferred Outflows of Resources | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Contributions after measurement date | \$ 76,174 | \$ 65,777 |
| Difference between actual and expected experience | 2,110 | - |
| Changes in assumptions | 10,767 | - |
| Net difference between projected and actual earnings on plan investments | 19,246 | 131,753 |
| Adjustments due to differences in proportions | 136,005 | 31,266 |
| | <u>\$ 244,302</u> | <u>\$ 228,796</u> |

The \$76,174 and \$65,777 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, 2024 and 2023, respectively.

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

| | Deferred Inflows of Resources | |
|--|--------------------------------------|------------------|
| | 2023 | 2022 |
| Difference between actual and expected experience | \$ 1,413 | \$ 16,925 |
| Differences between employer contributions and the employer's proportionate share of contributions | 17,275 | 13,169 |
| Adjustments due to differences in proportions | - | 4,611 |
| | <u>\$ 18,688</u> | <u>\$ 34,705</u> |

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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:

2023:

| Measurement Period Ended June 30: | Deferred Outflows/ (Inflows) of Resources |
|--|--|
| 2024 | \$ 54,890 |
| 2025 | 51,793 |
| 2026 | 30,985 |
| 2027 | 11,772 |

2022:

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

Actuarial Assumptions

For the measurement periods ended June 30, 2022 and 2021 (the measurement dates), the TPL was determined by rolling forward the June 30, 2021 and 2020 TPL, respectively. The June 30, 2022 and 2021 TPL were based on the following actuarial methods and assumptions:

2022:

| | |
|-------------------------------------|---|
| Actuarial Cost Method | Entry-Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| 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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies |

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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.

Changes in Assumptions

For the measurement period ended June 30, 2022, changes in actuarial assumptions consisted of decreases in the discount rate, the inflation rate and the post retirement benefit and changes in the mortality rate table. No benefit or assumption changes were made for the measurement period ended June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 and 2021 (the measurement date) was 6.90% and 7.15%, respectively. 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 for the measurement period ended June 30, 2021 and 2020 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 next 20 years for 2021 and over the short-term (first 10 years) and the long-term 11+ years) for 2020 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 expected real rates of return by asset class for the measurement periods ended June 30, 2022 and

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

2021 are as follows:

| Asset Class | June 30, 2022 | |
|----------------------------------|---------------------------------|-------------------------------------|
| | Assumed Asset Allocation | Real Return Years 1-10(a)(b) |
| Global equity - cap-weighted | 30.00% | 4.45% |
| Global equity - non-cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |
| | <u>100.00%</u> | |

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

| Asset Class(a) | June 30, 2021 | | |
|-----------------------|---------------------------------|------------------------------------|---------------------------------|
| | New Strategic Allocation | Real Return Years 1 - 10(b) | Real Return Years 11+(c) |
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | (0.92%) |
| | <u>100%</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.

The long-term expected real rates of return by asset class can be found in CalPERS' Annual

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 rates of 6.90% and 7.15% for the measurement periods ended June 30, 2022 and 2021, 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:

2022:

| | Discount Rate – 1% (5.90%) | Current Discount Rate (6.90%) | Discount Rate + 1% (7.90%) |
|---|---|--|---|
| Authority's Proportionate Share of Plan's NPL | <u>\$ 338,407</u> | <u>\$ 105,072</u> | <u>\$ (86,906)</u> |

2021:

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

Payable to the Pension Plan – SGA had \$967 in outstanding payables to the pension plan at June 30, 2023. SGA did not have outstanding payables to the pension plan at June 30, 2022.

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

The governmental fund balance sheet for June 30, 2023 is converted to the statement of net position by recording several financial transactions. SGA records \$4,596 in capital assets, net of accumulated depreciation. As a result of GASB 68, SGA records \$244,302 in deferred outflows related to pensions, \$105,072 in net pension liability, and \$18,688 in deferred inflows for unamortized pension adjustments.

For the year ended June 30, 2023, 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. Pension expense increased by \$224,477 to reflect amortization of deferred outflows and inflows and adjustments to the net pension liability related to the pension plan.

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 | 10,000,000 | 400,000,000 | \$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 an 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

SACRAMENTO GROUNDWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Committee and will provide either in-kind staffing or consulting support services for the GSP Implementation.

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 is responsible for total payments of \$415,855 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 \$146,172 and \$15,553 at June 30, 2023 and 2022, respectively.

9. SUBSEQUENT EVENTS

On July 27, 2023, SGA received notification that DWR approved a grant award of \$3,650,500 to support the North American Subbasin Groundwater Sustainability Plan (GSP) and the identified implementation activities within the GSP as required under the Sustainable Groundwater Management Act.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO GROUNDWATER AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2023

| | Original and Final Budget | Actual Amounts | Variance with Budget Positive (Negative) |
|---|---------------------------------|-------------------|---|
| REVENUES | | | |
| Program Revenues: | | | |
| Assessment Income | \$ 892,615 | \$ 892,615 | \$ - |
| GSP Partner Fees | 146,689 | 90,782 | (55,907) |
| Total Program Revenues | 1,039,304 | 983,397 | (55,907) |
| General Revenue - Interest and Other Income | 3,500 | 29,988 | 26,488 |
| Total Revenues | 1,042,804 | 1,013,385 | (29,419) |
| PROGRAM AND GRANT EXPENDITURES | | | |
| Shared and Direct Expenditures: | | | |
| Wages and Salaries | 509,837 | 490,611 | 19,226 |
| Employee Taxes and Benefits | 211,293 | 196,965 | 14,328 |
| Travel and Training | 18,000 | 17,094 | 906 |
| Administrative | 739,130 | 704,670 | 34,460 |
| Rent | 17,787 | 17,787 | - |
| Insurance | 16,750 | 21,626 | (4,876) |
| Telephone | 3,500 | 3,872 | (372) |
| Dues and Subscriptions | 6,600 | 3,370 | 3,230 |
| Printing and Supplies | 12,000 | 5,916 | 6,084 |
| Postage | 1,800 | 648 | 1,152 |
| Computer Maintenance | 14,400 | 12,544 | 1,856 |
| Meetings | 1,500 | 1,616 | (116) |
| Office | 74,337 | 67,379 | 6,958 |
| Audit | 15,400 | 15,400 | - |
| Legal Counsel Expense - General | 50,000 | 10,606 | 39,394 |
| Payroll and Banking Services | 1,800 | 1,323 | 477 |
| Consulting - General Support Services | 68,700 | 40,403 | 28,297 |
| Consulting - Program Management | 15,000 | - | 15,000 |
| Professional Fees | 150,900 | 67,732 | 83,168 |
| Capital Outlay and Equipment | 15,000 | 14,152 | 848 |
| Total Program Expenditures | 979,367 | 853,933 | 125,434 |
| GSP Project Expenditures | 167,300 | 122,440 | 44,860 |
| Total Expenditures | 1,146,667 | 976,373 | 170,294 |
| DEFICIENCY - EXCESS PROGRAM EXPENDITURES OVER REVENUES | (103,863) | 37,012 | 140,875 |
| Fund Balance, July 1, 2022 | 981,691 | 981,691 | - |
| Fund Balance, June 30, 2023 | \$ 877,828 | \$ 1,018,703 | \$ 140,875 |

SACRAMENTO GROUNDWATER AUTHORITY

SCHEDULE 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 | 3,842 | 7,758 |
| Postage | 1,700 | 680 | 1,020 |
| Computer Maintenance | 12,500 | 7,167 | 5,333 |
| Meetings | 1,400 | 110 | 1,290 |
| 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 | 1,045 | 555 |
| Consulting - General Support Services | 51,000 | 32,325 | 18,675 |
| Consulting - Program Management | 40,000 | - | 40,000 |
| Professional Fees | 151,050 | 78,269 | 72,781 |
| Capital Outlay and Equipment | 11,100 | 6,570 | 4,530 |
| Total Program Expenditures | 936,812 | 655,600 | 281,212 |
| SGMA Grant Expenditures | 88,490 | 132,043 | (43,553) |
| GSP Project Expenditures | - | 73,664 | (73,664) |
| Total Expenditures | 1,025,302 | 861,307 | 163,995 |
| DEFICIENCY - EXCESS PROGRAM EXPENDITURES OVER REVENUES | (18,490) | 263,862 | 282,352 |
| Fund Balance, July 1, 2021 | 717,916 | 717,916 | - |
| Fund Balance, June 30, 2022 | \$ 699,426 | \$ 981,778 | \$ 282,352 |

SACRAMENTO GROUNDWATER AUTHORITY

REQUIRED SUPPLEMENTARY DISCLOSURES PENSION

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

| | Measurement Date | | | | | | |
|---|------------------|--------------|------------|------------|------------|------------|------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Proportion of the net pension liability | 0.002245% | -0.007949% | 0.001873% | 0.001578% | 0.002251% | 0.002957% | 0.003076% |
| Proportionate share of the net pension (asset)/liability | \$ 105,072 | \$ (150,928) | \$ 79,009 | \$ 63,208 | \$ 84,845 | \$ 116,581 | \$ 106,839 |
| Covered - employee payroll | \$ 320,760 | \$ 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 | 32.76% | (49.18%) | 26.08% | 22.13% | 29.28% | 44.30% | 40.04% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.19% | 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 | 93.86% | 109.75% | 94.39% | 94.82% | 92.10% | 90.24% | 89.09% |

Notes to Schedule:

For the measurement period ended June 30, 2022, the discount rate decreased from 7.15% to 6.90%, the inflation rate decreased from 2.50% to 2.30%, the post retirement benefit decreased and the mortality rate table changed. There were no benefit changes.

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 decreased from 2.75% to 2.50%. There were no benefit changes.

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

SACRAMENTO GROUNDWATER AUTHORITY

REQUIRED SUPPLEMENTARY DISCLOSURE PENSION

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN LAST TEN YEARS

| | Fiscal Year | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022-2023 | 2021-2022 | 2020-2021 | 2019-2020 | 2018-2019 | 2017-2018 | 2016-2017 |
| Contractually required contribution (actuarially determined) | \$ 49,474 | \$ 39,077 | \$ 36,316 | \$ 32,003 | \$ 27,571 | \$ 27,004 | \$ 23,831 |
| Contributions in relation to the actuarially determined contributions | 76,174 | 65,777 | 63,016 | 46,503 | 76,921 | 53,904 | 50,731 |
| Contribution excess | <u>\$ (26,700)</u> | <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 | \$ 454,491 | \$ 320,760 | \$ 306,879 | \$ 302,959 | \$ 285,636 | \$ 289,758 | \$ 263,178 |
| Contributions as a percentage of covered - employee payroll | 16.76% | 20.51% | 20.53% | 15.35% | 26.93% | 18.60% | 19.28% |
| Contributions valuation date: | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Contributions measurement date: | June 30, 2021 | 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 | Market Value |
| Investment Rate of Return | 7.00% | 7.00% | 7.25% | 7.25% | 7.375% | 7.50% | 7.50% |
| Inflation | 2.50% | 2.50% | 2.625% | 2.625% | 2.75% | 2.75% | 2.75% |
| Payroll Growth | 2.75% | 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

INDEPENDENT AUDITOR'S 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

To the Board of Directors
Sacramento Groundwater Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and special revenue fund of the Sacramento Groundwater Authority (the Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 8, 2023.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Board of Directors
Sacramento Groundwater Authority

Purpose of this Report

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

Richardson & Company, LLP

December 8, 2023